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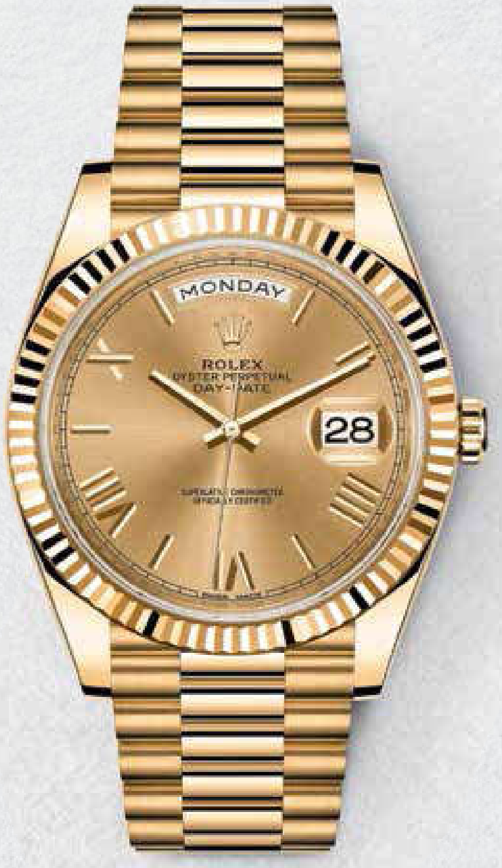
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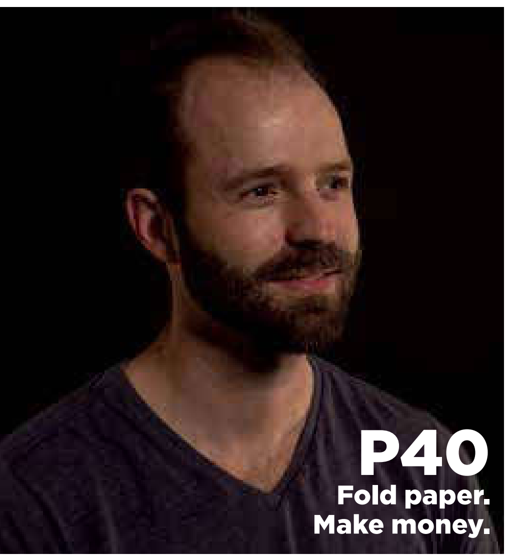

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Cover story: Jaco Visser
Cover layout: Tshebetso Ditabo
Cover story layout: Beku Mbotoli

EDITORIAL EDITOR JANA MARAIS **DEPUTY EDITOR** ANNELI GROENEWALD **MANAGING EDITOR** RUWAYDAH HARRIS **JOURNALISTS AND CONTRIBUTORS** SIMON BROWN, MANDY DE WAAL, JOHAN FOURIE, MOXIMA GAMA, GUGU LOURIE, SCHALK LOUW, BUHLE NDWENI, SIZWE NXEDLANA, SAM PAUWELS, LIESL PEYPER, CIARAN RYAN, JACO VISSER, GLENDA WILLIAMS **SUB-EDITORS** STEFANIE MULLER, JANA JACOBS **OFFICE MANAGER** THATO MAROLEN **LAYOUT ARTISTS** BEKU MBOTOLI, TSHEBETSO DITABO, ZANDRI VAN ZYL **PUBLISHER** SANDRA LADAS **GENERAL MANAGER** DEV NAIDOO **ADVERTISING** MONICE KRUGER 011-877-6153 / MONICE.KRUGER@FINWEEK.CO.ZA **CIRCULATION MANAGER** ARMAND KASSELMAN 021-443-9975

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Johannesburg Office:
Ground floor, Media Park,
69 Kingsway Avenue,
Auckland Park, 2092
Postal Address: PO Box 784698,
Sandton, Johannesburg, 2146
Tel: +27 (0)11 713 9601

Head Office: New Media House, 19 Bree Street,
Cape Town, 8001
Postal Address: PO Box 440, Green Point,
Cape Town, 8051
Tel: +27 (0)21 417 1111 Fax: +27 (0)21 417 1112
Email: newmedia@newmediapub.co.za

Executive Directors
Group Commercial Director: John Psillos
Managing Director: Bridget McCarney
Non Executive Director: Irna van Zyl

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COINCIDENTAL SYMBOLISM

FINWEEK DEPUTY EDITOR, **ANNELI GROENEWALD,** WRITES:

The state of our national rugby team can by no means be seen as a measure for the health of the South African economy (or democracy, for that matter).

But sometimes coincidence grants us the opportunity to draw a few unempirical links.

Twenty years ago, SA had just turned the page. Having navigated the transition relatively peacefully, our young democracy was the world's darling.

To top it all, we won the Rugby World Cup. Then President Nelson Mandela lifted the cup, wearing a no. 6 jersey – a proud Springbok prancing on the chest. Euphoria.

For a moment, we all believed things would be all right, and that SA indeed was the land of opportunity.

But things have changed.

For one, the Springbok emblem has been moved to the left arm of the jersey. (This time with fairly little outcry from the public.)

Government's annual Development Indicators, released the day after that painful loss against Japan, also show how public sentiment has changed. Currently about 42% of South Africans believe that we're heading in the right direction. Twenty years ago, 76% were optimistic about the country's future.

Add to that SA's slide from 52nd to 54th position out of 60 on Grant Thornton's Global Dynamism Index (which uses indicators such as GDP growth, R&D spend and labour productivity to identify the best business growth environments), and the following becomes clear:

The investors' darling has had 20 years to do something with all the opportunities that it had. But as darlings fail to capitalise on opportunities, the excitement fades, and investors start looking for other, new darlings.

Obviously, none of this can be linked to the Springboks' performance.

However, the loss against Japan was simply another painful reminder of the opportunities that we had 20 years ago. And that we appear to be losing our grip on those opportunities. ■

Double take

finweek


"When will that shipment
be cleared out of
the harbour?"
"It's o
emeafinance
TREASURY SERVICES AWARDS
2015
Best FX services
in Africa
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TREASURY SERVICES AWARDS
2015
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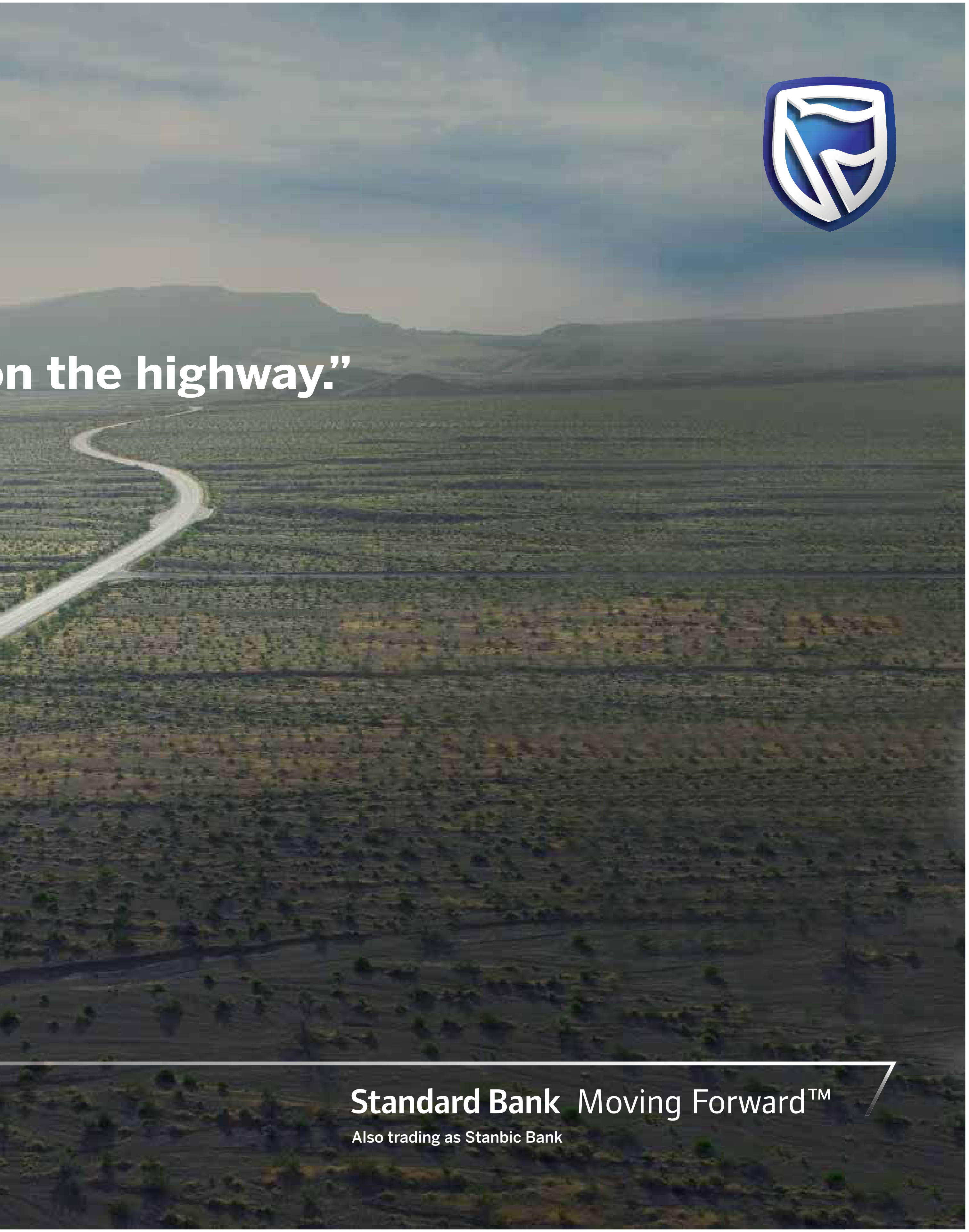
on the highway."
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The key trends shaping SA's growth outlook

Growth has been weak in recent years. What can we expect for the future?

BY SIZWE NXEDLANA

South Africa's economic growth has been exceptionally weak in recent years. Average GDP growth since 1994 is 3.1%. We have been nowhere near that since 2012. This weak growth environment is likely to continue. We expect growth to average 1.4% this year and to slow to 1.2% next year.

Two key trends are shaping the outlook. Growth in domestic expenditure will slow further while growth in production and exports is likely to remain soft, offering partial compensation for weak expenditure.

SEVERAL FACTORS WILL IMPEDE GROWTH IN CONSUMPTION EXPENDITURE:

1. There will be ongoing fiscal consolidation. Further moderation in government spending growth is required if the target of a budget deficit of around 2.5% of GDP is to be met by the 2017/18 fiscal year. Government's tax revenue estimates are based on economic growth expectations that in our view are unlikely to be met over the 2015 to 2017 forecast period. We suspect that further tax increases may be necessary given likely revenue shortfalls.

2. Employment growth will remain weak over the forecast period. Public sector employment growth is likely to be the victim of fiscal consolidation while private sector employment growth will be adversely affected by wage growth that remains relatively high in an environment in which the overall growth in company profits has slowed significantly.

3. Consumer confidence is at a 14-year low. Consumers are mostly negative about SA's economic outlook and as a result don't see the present as an appropriate time to buy durables (items such as cars, appliances and furniture). In other words, consumers are adopting a defensive posture. This suggests weak growth in household spending, particularly on durable goods.

4. In an environment of weak growth and low consumer confidence, growth in credit extension to households is weak and is likely to remain weak.

5. Finally, we expect the South African Reserve Bank to increase interest rates further over the next two years, albeit very gradually, with the current cycle likely to be shallow relative to previous cycles.

Spending on fixed investment fell by 0.4% last year. The recovery in the first half of 2015 has been muted with fixed investment growth of only 0.6% compared to the same period last year. The fixed investment outlook will be constrained by both the public and private sectors. Capital expenditure by the public sector, in particular state-owned enterprises, will be on a downward trend as the large infrastructure projects approach completion. Growth in private sector fixed investment, which fell by 3.4% last year, will also remain weak, held back by low business confidence. Since 2010, business confidence as measured by the RMB/BER survey has seldom been above the 50 index-point level, which signals that survey respondents are satisfied with prevailing business conditions. The absence of business confidence implies continued weakness in fixed investment by the private sector.

GROWTH IN DOMESTIC EXPENDITURE WILL SLOW FURTHER WHILE GROWTH IN PRODUCTION AND EXPORTS IS LIKELY TO REMAIN SOFT.

On a more positive note, net trade is finally beginning to offer some compensation for weak domestic expenditure growth. During the second quarter of the year, a surge in export growth led to SA registering a trade surplus for the first time since the fourth quarter of 2011. The current account deficit narrowed to 3.1% of GDP as a result. We don't expect the current account deficit to remain at this relatively healthy level; however, we do expect it to continue to narrow gradually over the next two years relative to the last three years.

In summary, we expect the combination of continued weak growth in domestic expenditure coupled with partial compensation from net trade to result in the South African economy posting mediocre growth in the 1% to 1.5% range this year and in 2016. ■

Sizwe Nxedlana is chief economist at FNB.

We need more foreign direct investment. Not less.

A new NBER working paper reveals how FDI encourages domestic innovation.

BY JOHAN FOURIE

Imagine you're a young entrepreneur and have built up a profitable IT business.

You can expand either by going it alone, or partnering with a more established, perhaps international, firm. Which should you choose?

Sign up with the multinational.

That's the advice of a new NBER Working Paper *Does Foreign Entry Spur Innovation?* by three US trade economists, Yuriy Gorodnichenko, Jan Švejnar and Katherine Terrell. They found, using a large firm-level dataset of 18 countries, that foreign direct investment (FDI) has a significantly positive impact on the product and technology innovation of domestic firms in emerging markets. In other words, those domestic firms that receive FDI become more innovative over time than other domestic firms.

This isn't surprising. Trade economists have long argued that increased trade and investment boosts domestic firms' productivity. Foreign firms tend to bring new innovative ideas, technology and management practices that replace potentially inefficient practices of domestic firms. When South Africa opened up to the world after the isolation of the apartheid years, the argument goes, local firms' productivity increased significantly because they suddenly had to compete against more competitive producers.

FOREIGN COMPETITION DRIVES INNOVATION IN DOMESTIC FIRMS, MAKING THEM MORE COMPETITIVE AND LONGER-LASTING.

These theoretical possibilities were difficult to prove empirically, however, as industry-wide statistics are often too vague to give reliable evidence, and some firms may close due to tougher competition. This study sidestepped this issue by using firm-level data (as opposed to industry-level or individual-level data), measuring the size of spillover effects from the international partner to the domestic firm, and documenting the impact on innovation instead of noisy productivity estimates.

The authors found that the benefits of FDI are not dispersed to other firms in the industry, but instead only have an impact on the domestic firms immediately connected to the foreign firms. Simply being in an industry populated by foreign firms generally has a weak, if any, effect on innovation. In fact, if our IT entrepreneur doesn't get a foreign partner but other competitors do, he may find himself out of business.

This study is important for policymakers too. Firstly, encouraging FDI is critical to growing an economy. Public (and political) sentiment is often against foreign competition; consider the long (and expensive) deliberations preceding the Walmart-Massmart merger. Let me be unequivocal about this: this study shows that foreign competition drives innovation in domestic firms, making them more competitive and longer-lasting. We need more, not less, of it.

The authors also found, in short, that FDI from rich countries is better. Again, this makes intuitive sense. Firms in the First World already operate at the technological frontier. Now, for the first time, it has found empirical support. One wonders about SA's attempts to cosy up to our Brics partners instead of encouraging investment from our traditional (and still largest) trade partners. If we believe the results of this study, FDI from China is less beneficial for SA than investment from the US or Germany.

Another, perhaps more controversial, finding: because the benefits of FDI only accrue to firms within the supply chain of the acquired domestic firm, it might mean that policies which require foreign firms to have significant local content (for example, a rule which states 20% of a firms' inputs must be locally made) may be justified.

Minister of trade and industry Rob Davies will be happy to hear this.

But he'll first need to get foreign firms excited about SA. In late July, he introduced the Promotion and Protection of Investment Bill in Parliament as an attempt to do just that. The bill aims to protect and promote investment, but, sadly, falls short. As Webber Wentzel's Peter Leon argues, it contains few of the protections one would typically find in a bilateral investment treaty. 'Fair and equitable' treatment for investors, such as market value compensation in the event of expropriation, is missing.

The rapid growth seen by emerging markets over the last two decades seems to be tapering off. It is no longer a given that countless foreign firms will enter SA seeking investment opportunities as happened during the good times. We have to up our game and become more attractive to foreign investors. That means improving all sorts of things, like skills and infrastructure, but the low-hanging fruit of investment bills and secure property rights should be top priority. ■

Johan Fourie is associate professor in economics at Stellenbosch University.

VOLKSWAGEN PLUNGES

23%

The share price of German carmaker Volkswagen AG dropped as much as 23% in Frankfurt on 21 September, wiping about €15.6bn (R237bn) off its market capitalisation, after admitting that it has cheated on US air pollution tests for years, Bloomberg reported. The US ordered it to recall about half a million diesel-engine Audi and Volkswagen cars.

In Brief

LOST CITIZENS

±2 000

Over the past four years, around 2 000 South Africans lost their citizenship after acquiring citizenship in other countries, *Business Day* reported. According to 2004 amendments to Section 6 of the South African Citizenship Act, citizens with dual citizenship need to retain and renew their South African passports. They also need to travel into SA on their SA passports. Failing to do so, the minister of home affairs could deprive them of their citizenship, according to the newspaper.

DIAMOND SALES SPARKLE

$80BN

Global diamond jewellery sales grew 3% in 2014, exceeding $80bn (R1.08tr) for the first time, according to De Beers' annual *Diamond Insight Report*. The key trends shaping the market are increasing demand for branded diamond jewellery, as consumers want product differentiation, distinctive design, authenticity and quality; an increase in the number of jewellery shops in developing Asian markets at a time when the number of stores in more mature markets are reducing; and increasing online sales in both developed and developing markets, it said.

Gallo Images/iStock

ZIM HOUSE SOLD

R3.76M

The amount raised after a five-year legal battle from the auction of a Kenilworth, Cape Town home that belonged to the Zimbabwean government. The money will be used to settle legal fees for Afriforum, which represented a group of white Zimbabwean farmers who sued the Zimbabwean government for compensation after they were dispossessed of their land. German Bank KfW will also receive a portion of the proceeds in return for the millions owed to it by the Zimbabwean government to bail out the Zimbabwe Iron and Steel Company, News24 reported.

PILLS' PRICE JUMPS

5 456%

US doctors are protesting against an overnight increase in the price of Daraprim, a 62-year-old drug, from $13.50 (R184) a tablet to $750 (R10 205), following its acquisition by Turing Pharmaceuticals. Daraprim is used to treat toxoplasmosis, a parasitic infection that can cause problems for babies born to women who become infected during pregnancy, or people with compromised immune systems, nytimes.com reported. Turing Pharmaceuticals said the medication is used very rarely, and that the money earned will be used to develop better treatments for toxoplasmosis, it reported.

THE GOOD

The painful restructuring undertaken by the Development Bank of Southern Africa (DBSA), which was completed in 2013 and led to hundreds of retrenchments, seems to be bearing fruit. The DBSA, which has a major focus on infrastructure investment in SA and on the continent, disbursed a record R13bn in the year ending March, with metropolitan municipalities in SA receiving R3.7bn and R2.4bn allocated to the Independent Power Producers (IPP) programme. Other projects included the funding of 120 000 housing units, 26 clinics and constructing accommodation for more than 5 000 students – all while growing its net profit by 52% to R1.2bn.

THE BAD

SA has slipped two places to 54th, out of 60 countries surveyed, in the latest Grant Thornton Global Dynamism Index (GDI). It fared worst in the labour and human capital indicator, where it was ranked 58th. This is attributable to our high unemployment rate and a decline in labour productivity from the previous study, conducted two years ago. SA will continue to slide in global rankings until we make a significant effort to create a more business-friendly environment: remove regulatory uncertainty, make state-owned enterprises more efficient, abolish stumbling blocks such as exchange controls and encourage investment.

THE UGLY

It is hard to pick a side in the showdown between minister of basic education Angie Motshekga and teachers' unions over the annual national assessment tests, which were introduced in 2011 to test primary school pupils' literacy and numeracy skills. While one can't dispute the importance of the tests, despite the hefty price tag – R670m this year, according to *Business Day* – the unions also have a valid point. We all know what the tests tell us: the system is broken. How about we spend some money on fixing the problems?

LABOUR LOST

10 264 774

The number of working days lost in about 88 strikes during 2014, which was characterised by the record-long strike of nearly five months in the platinum sector, according to the department of labour. In 2013 more strikes were recorded, but only 1 847 006 working days were lost. About R6.1bn in wages were lost in 2014 due to strikes, compared with R6.7bn in 2013, it said in its annual industrial action report.

FOSSIL FUEL SUBSIDIES

$200BN

The amount (R2.7tr) the world's rich western countries and leading developing nations, including China, South Africa, India and Brazil, are spending annually to subside fossil fuels, according to a report from the Organisation for Economic Cooperation and Development (OECD). This is almost twice as much as the amount that is needed to meet the climate-finance objectives set by the international community at climate change summits, which have set a target of mobilising $100bn (R1.36tr) a year by 2020, theguardian.com reported.

"These shares were issued specifically for the position of CEO and this role came to an end (on 31 March 2014). In no way, given the amounts payable for the original purchase price plus inflation and tax payable, could I afford to take the money from my pocket to exercise the options myself. That is implicit." – Naspers* chairman Koos Bekker explains to *Moneyweb* why he sold nearly 11.7m Naspers N shares, worth R19.8bn at current share prices, after retiring as CEO in March last year. Bekker, who started Naspers's pay television operations and went on to transform the company into a global media giant, went on a year-long sabbatical and rejoined the group as Naspers in April. He remains one of the 15 biggest shareholders in the group.

*Finweek *is a publication of Media24, a subsidiary of Naspers.*

LETTER FROM NIGERIA. LETTER FROM NIGERIA. LETTER FROM NIGERIA.

The pitiful state of **tourism**

Tourism in Nigeria is an idea some find too funny or too wild to contemplate. How on earth would a first-time visitor survive the rat run of Lagos's notorious Murtala Muhammed Airport and find their way through the throng of hustling taxi drivers and hawkers outside the terminal building, much less get to their hotel in one piece – where their reservation may or may not have been made and where the air con might or might not be working?

It is a great shame, because despite the chaos – the mess, the pitiful state of much of the country's infrastructure and the low-level corruption you'll see on the expressways from the traffic police and at the airports from customs or immigration officials – Nigeria is a spectacular country, rich with natural attractions. There's the mountainous landscape of Taraba State and the waterfalls of Niger State and Kogi State, where the great Niger and Benue rivers meet before the Niger makes its way slowly down to the delta.

I went to Kogi State recently to visit the rivers' confluence at Lokoja. It's hard to look at this great sight with unalloyed pleasure – in Kenya, Ghana or Botswana, this might be where you'd have five-star honeymoon lodges or a visitor centre at least. The government would be making sure to get every last penny from its natural beauty, and that money – you'd hope – would be utilised for infrastructure development, better healthcare or education.

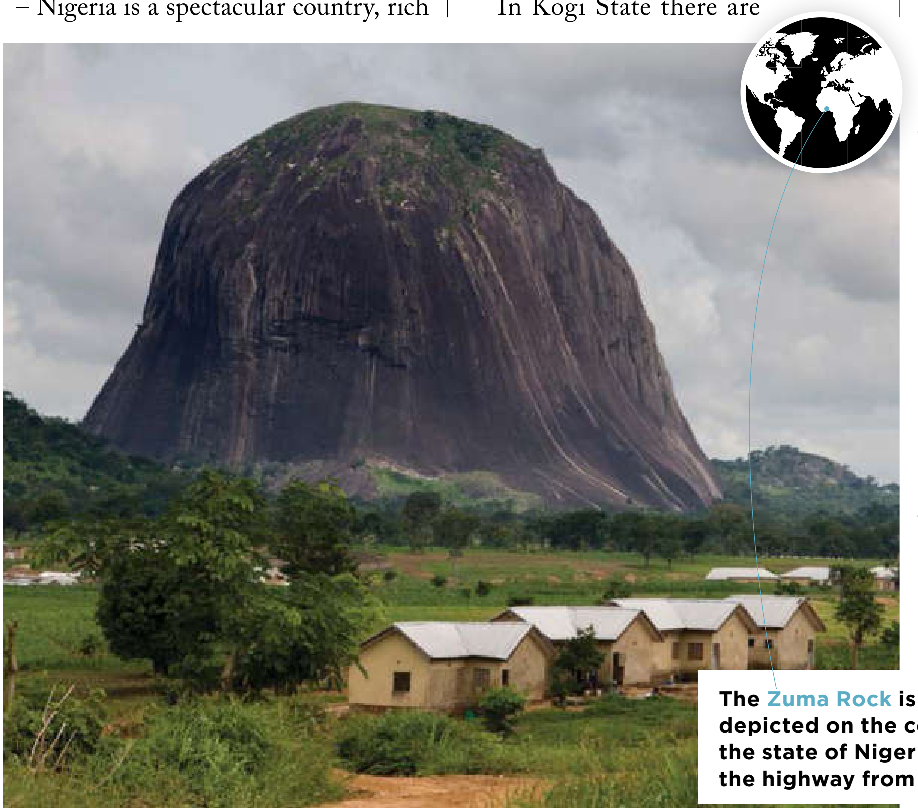
TOURISM IN NIGERIA IS AN IDEA SOME FIND TOO FUNNY OR TOO WILD TO CONTEMPLATE.

In Kogi State there are barely any foreign tourists. As a tourist, you might struggle to find a choice of more than two hotels that you fancy staying in, and they wouldn't be on TripAdvisor (I recommend Jovago.com or Hotels.ng for Nigerian hotel bookings). In the evening there's no strip of bijou restaurants to visit, just street grills serving fish or *suya* (spiced meat strips).

To get an understanding of the state of Nigeria's tourism industry, take a trip to Lokoja's Confluence Beach Hotel. Formerly a fine establishment in a prime spot at the confluence, it's now a ghost hotel brought low by years of flooding and financial mismanagement. It's marked for redevelopment, but the afternoon I was there no redevelopment activity was apparent; the only activity was a sole barman selling warm imported beer and working for tips by telling guests about the river view. This hotel should be the crown jewel in Kogi's tourism industry, with rich Nigerians visiting for weddings and conferences and spending money that would invigorate the local economy – instead it's more like the *Mary Celeste*.

Kogi has a gubernatorial election coming up in November, at which the electorate must choose between the state incumbent People's Democratic Party and the All Progressives Congress – the party of President Muhammadu Buhari – to govern their state. Among their many other concerns, people must consider which of the candidates can deliver them the revenues from tourism that both they and Nigeria at large deserve. ■

editorial@finweek.co.za

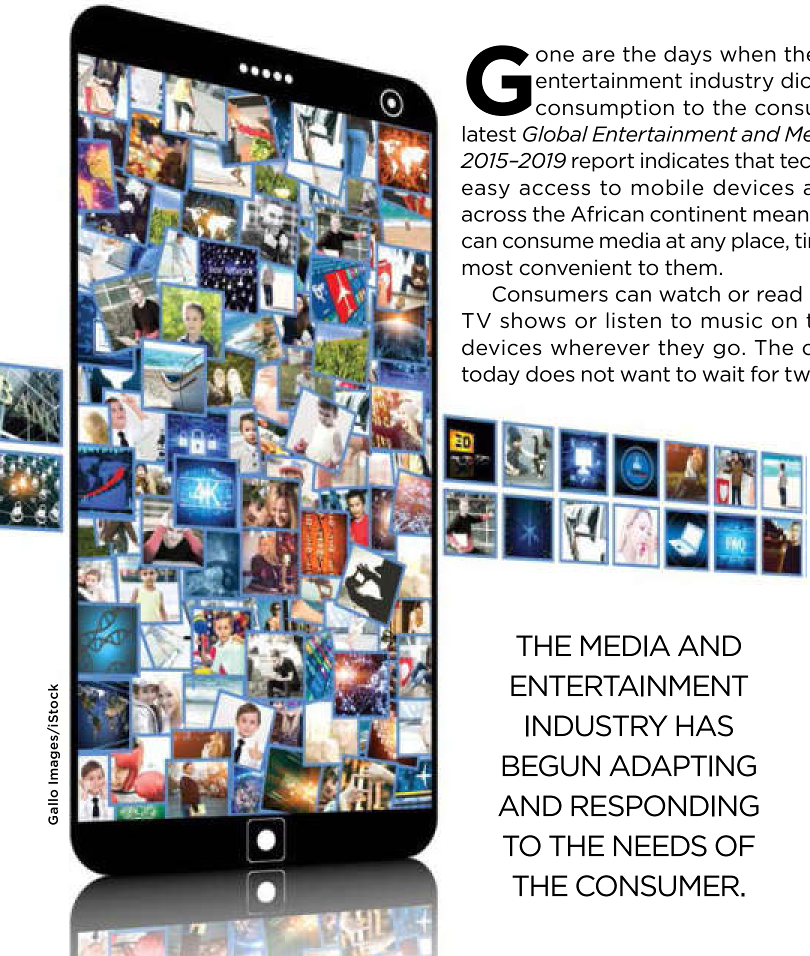


The Zuma Rock is the symbol of Nigeria, which is depicted on the country's 100 naira bill. It is found in the state of Niger north of the capital Abuja, along the highway from Abuja to Kaduna.

Gallo Image/Getty Images/Thinkstock

What the **consumer wants,** the consumer gets

BY BUHLE NDWENI



Gallo Images/iStock

Gone are the days when the media and entertainment industry dictated media consumption to the consumer. PwC's latest *Global Entertainment and Media Outlook: 2015–2019* report indicates that technology and easy access to mobile devices and internet across the African continent means consumers can consume media at any place, time and price most convenient to them.

Consumers can watch or read news, watch TV shows or listen to music on their mobile devices wherever they go. The consumer of today does not want to wait for two seasons or more for a TV show to be on their TV screens. In order to gain instant access to the latest entertainment content via the internet, they are willing to spend amounts they deem fit to gain access.

The media and entertainment industry has begun adapting and responding to the needs of the consumer. In August, multinational media and internet company Naspers* introduced ShowMax for South African viewers to compete with Netflix. This is an online platform that viewers across the world pay to watch the latest TV shows from Hollywood online.

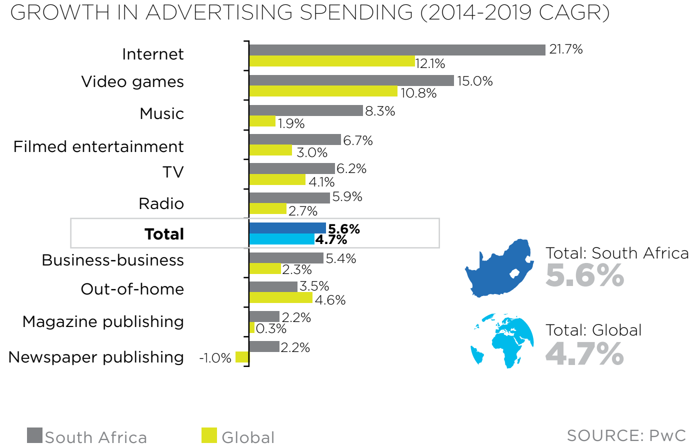
THE MEDIA AND ENTERTAINMENT INDUSTRY HAS BEGUN ADAPTING AND RESPONDING TO THE NEEDS OF THE CONSUMER.

R176.3bn
The South African entertainment and media industry is expected to experience a 9.4% compound annual growth rate (CAGR) to R176.3bn in 2019 from R112.7bn in 2014. Digital growth will fuel the overall rise, and internet access and advertising revenues as a percentage of total entertainment and media revenue will rise by 31% in 2014 to 46% in 2019.

21.7%
Internet advertising is another key digital segment, with revenue forecast to rise at 21.7% CAGR as advertisers continue to redirect their spend to online formats. But digital delivery is also clearly working for consumers, shown by the 9.3% CAGR forecast for digital recorded music revenue, and enormous 21.6% CAGR expected in electronic home video revenue.

INTERNET AND VIDEO GAMES ADVERTISING CONTINUE TO DOMINATE THE GROWTH LANDSCAPE

GROWTH IN ADVERTISING SPENDING (2014-2019 CAGR)



SOURCE: PwC

52.3m
The number of SA smartphone connections in 2019. The next five years will see a surge in smart devices, with smartphone connections more than doubling from 22.8m in 2014 to 52.3m in 2019 and active tablet devices rising from 2.6m to 5.6m over the same period. Mobile internet penetration will rise by over 32 percentage points from 2014 to 2019, reaching 69.1% in 2019.

19
This is the number out of 20 of the most watched programmes across all channels broadcast nationally from SABC TV. The SABC remains South Africa's most popular broadcaster, with the SABC1 channel averaging 29.7m viewers per week in the year to June 2014.

*Finweek *is a publication of Media24, a subsidiary of Naspers.*

BEER GIANTS

The number of bottles on this page (2 340) roughly equals the number of beer bottles that SABMiller sells globally per second.

The second-largest brewer in the world, SABMiller's share price surged by almost R140 a share, according to Bloomberg data, to highs of R754, after the world's largest brewer, Anheuser-Busch InBev, confirmed its intention to take over SABMiller on 16 September. InBev currently owns about 21% of the global beer market, while SABMiller owns just under 10%. Combined, they would own one third of the market, dwarfing the nearest competitor, Heineken, which owns 9% of the market.

According to Reuters, InBev might have to pay up to £45/share (R933) – or a total price of $140bn (R1.8tr).

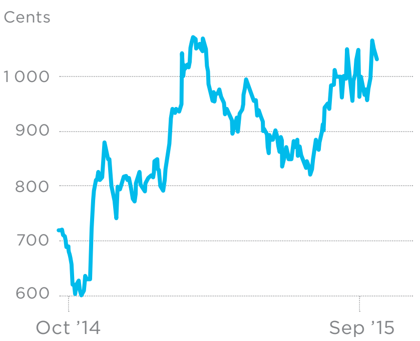
SMALL-CAP STOCKS TO LOOK OUT FOR

BY JACO VISSER

SOUTH AFRICA'S STOCK EXCHANGE IS DOMINATED BY LARGE COMPANIES SUCH AS BRITISH AMERICAN TOBACCO, SABMILLER AND MINING GIANTS BHP BILLITON AND ANGLO AMERICAN. MOST FUNDS' CRITERIA TO INVEST IN STOCKS INCLUDE A HIGH LIQUIDITY, OR VOLUME OF SHARES TRADED, SO THEY CAN MOVE IN AND OUT OF A POSITION EASILY. IN THE PROCESS, A NUMBER OF SMALLER COMPANIES, CALLED SMALL CAPS, ARE FORGOTTEN. *FINWEEK* SPOKE TO ANALYSTS ABOUT THE OUTLOOK OF NINE SUCH STOCKS.

ADAPT IT

Industry: Information technology



52-week range:	R6 - R10.95
Price/earnings ratio:	22.35
1-year total return:	+47.1%
Market capitalisation:	R1.38bn
Earnings per share:	R0.47
Dividend yield:	1.05%
Average volume over 30 days:	41 989

SOURCE: Bloomberg.com

Adapt IT – a provider of business solutions – has been on a buying spree over the last couple of years, adding niche software companies to its base. In the process the company, which develops solutions on platforms including Oracle, SAP and Microsoft, broadened its reach to include customers in the mining, education, manufacturing, energy and financial services sectors.

Adapt IT counts Tiger Brands, FNB, the University of Johannesburg and Shell amongst its customers. Adapt IT's revenue jumped 42% to R578m and earnings per share rose 35% to 46.5c/share for the year ending June.

"They've done remarkably well," says Irnest Kaplan, MD of Kaplan Equity Analysts. "All their growth metrics are intact." Compared with EOH, another IT company that ramped up scale through buying out smaller technology companies, Adapt IT is in a sweet spot regarding acquisitions, according to Kaplan.

An acquisition of a company with sales of R30m would boost their R578m revenue by 5%, whereas it would lead to an increase of negligible proportions at EOH.

Adapt IT's own revenue model consists of a large proportion of annuity income, which is more reliable than fluctuating sales.

When considering a new acquisition, the target company's sales should be at least 25% of Adapt IT's and also include a large annuity component.

ADVANCED HEALTH

Industry: Healthcare – Hospitals

52-week range:	R1.50 - R2.69
Price/earnings ratio:	65.76
1-year total return:	+4.3%
Market capitalisation:	R480.9m
Earnings per share:	R0.03
Dividend yield:	-
Average volume over 30 days:	24 990

SOURCE: Bloomberg.com

Advanced Health delivers short-procedure surgical services at its day clinics in Australia and SA. The bulk of the company's revenue comes from its Australian operations; it is busy rolling out day clinics in SA. For the year ending in June, Advanced Health saw its after-tax profit jump by 43% to R22.2m.

The company's business model relies on medical health professionals, such as surgeons, to take a minority stake in the management company of each day clinic. Advanced Health secures a long-term lease with a property developer that owns the site.

With rising healthcare costs in SA, the company is relying on patients to opt for surgery at day clinics rather than overnight stays in traditional private hospitals.

"The strategy that Advanced Health wants to undertake is sound, it's solid and it should do well in this country," says Anthony Clark, small-cap analyst at Vunani Securities. "However, I personally believe they hit the market too early."

SA has a "cartel of private hospitals" running the healthcare industry and they won't be too happy if an "interloper" comes into the market and undercuts them, Clark says.

Nevertheless, the model that Advanced Health brings to the local healthcare market has the backing of the country's large medical insurers who look for ways to dampen healthcare inflation.

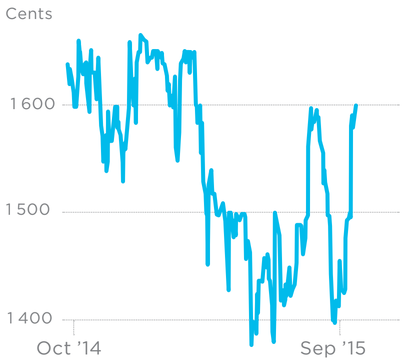
"Discovery Health has been the main supporter of Advanced Health," he says. "They want medical aid costs to be lowered."

Having the backing of the country's largest medical aid is the first step in turning the culture of overnight hospitalisation around. The next is patient buy-in.

"Hospitals are nothing more than medical theatres with a fancy hotel room stuck on," Clark says. "You need to get buy-in from the very customers who are used to going to hospital and staying overnight because they think it's good for them."

ASCENDIS HEALTH

Industry: Healthcare – Pharmaceutical



52-week range:	R13.11 - R17
Price/earnings ratio:	19.88
1-year total return:	-1.42%
Market capitalisation:	R4.3bn
Earnings per share:	R0.80
Dividend yield:	0.69%
Average volume over 30 days:	527 549

SOURCE: Bloomberg.com

Ascendis Health, owner of brands such as Evox sports nutrition, Efekto garden chemicals and Marltons pet care, saw sales jump by 74% to R2.8bn in the 12 months ending June, while after-tax profit rose 52%.

Most of the increase in revenue came from acquisitions, while organic growth contributed 11 percentage points to the jump, according to Izak van Niekerk, an equity analyst at Mergence Investment Managers. Ascendis is targeting organic revenue growth of between 10% and 15% and acquisitive revenue growth of between 20% and 25%, he says.

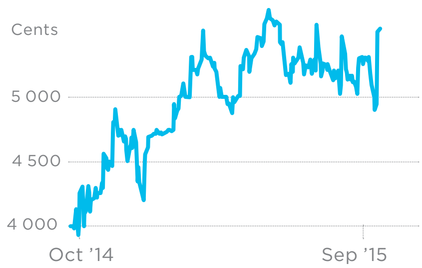
Ascendis bought Respiratory Care Africa for R153m, six brands of Arctic Healthcare for R151m and The Scientific Group for R351m during the previous financial year. With the purchase of the latter, the company is now the second-largest medical device supplier in the country.

In July, Ascendis announced that it plans to buy a 49% stake in Spanish pharmaceutical company Farmalider for almost R210m. This will give the company a foothold in Spain's €23bn (R347bn) a year pharmaceutical market.

"The Spanish acquisition is in line with their strategy of reducing their currency exposure to imported cost of sales," Van Niekerk says. "Including the Spanish acquisition, 21% of their sales will be international. They have indicated that they will increase this number so expect further international acquisitions."

HOLDSPORT

Industry: Retail



52-week range:	R35.33 - R59.90
Price/earnings ratio:	13.81
1-year total return:	+54.7%
Market capitalisation:	R2.5bn
Earnings per share:	R4.23
Dividend yield:	4.27%
Average volume over 30 days:	282 138

SOURCE: Bloomberg.com

Holdsport, which owns the Sportsmans Warehouse and Outdoor Warehouse outlets, has seen its revenue increase by 9% for the 12 months through 28 February and after-tax profit rose 8%. The company recently announced that core earnings, excluding one-off items, probably rose between 18% and 22% for the six months ending August compared with the same period a year ago.

The company has been a consistent performer as other retailers are struggling to pass through price inflation in a dampened SA consumer market.

Holdsport is trading at a historic price-to-earnings ratio of about 13, making the stock relatively cheap, according to Anthony Sedgwick, a fund manager at Abax.

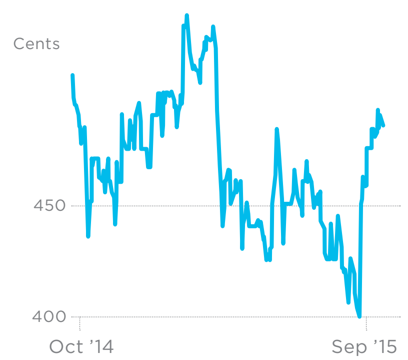
"All the other retailers are trading at relatively high ratings," he says. "In the [retail] sector it's been a lot cheaper."

In addition, the company exhibited stable performance over the years, Sedgwick says. Holdsport maintains a strong position within the niche field where it operates, he says. The company has good management, generates strong cash flow and doesn't rely on credit for sales, according to him.

"They sell a top-end product to the top end of the leisure market," Sedgwick says. "It's not the most exciting story in the world. But in an uncertain world, I think it would be a steady performer and as things improve and there is an increase in discretionary spending, they would proportionally benefit more."

METROFILE

Industry: Support services – Document handling



52-week range:	R3.90 - R5.70
Price/earnings ratio:	14.22
1-year total return:	-1.24%
Market capitalisation:	R2.07bn
Earnings per share:	R0.34
Dividend yield:	4.3%
Average volume over 30 days:	323 002

SOURCE: Bloomberg.com

Metrofile, which was created in 1983, stores and manages documents to large, medium and small businesses. Operations include the shredding of sensitive paperwork for the likes of banks. It operates in a number of other African countries, including Mozambique and Nigeria.

In the year ending June the company's revenue, excluding an insurance claim received in the prior book year, rose 14% to R720.9m while normalised after-tax profit jumped 10%. "It is a highly cash-generative business," says Abax's Sedgwick. "The dividend cover has been coming down so the dividend yield is very attractive."

Metrofile generated R222m in cash from its operations and increased its cash on hand by R85m for the 12 months ending June.

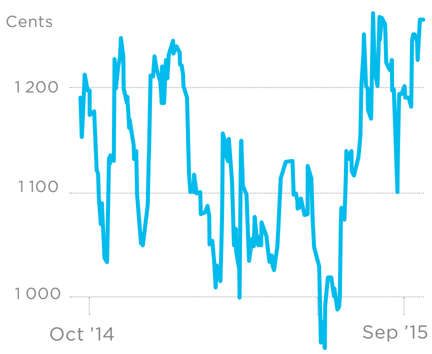
The board lowered the dividend cover ratio from 2 times to 1.5 times, resulting in a 40% jump in the full-year payout to 21c/share. This equates to a dividend yield of 3.6% after tax at the current share price.

"It's a very steady, defensive business and it dominates its industry in SA," Sedgwick says.

"It's got all the key clients and that's not going to change."

PINNACLE HOLDINGS

Industry: Information technology



52-week range:	R8.75 - R13.74
Price/earnings ratio:	6.97
1-year total return:	+6.5%
Market capitalisation:	R2.14bn
Earnings per share:	R1.83
Dividend yield:	-
Average volume over 30 days:	293 858

SOURCE: Bloomberg.com

After a year of restructuring the business, paying off debt and disposing of land and properties, Pinnacle has set itself a target to utilise its rejuvenated balance sheet to capture opportunities in the IT sector. The company manufactures Proline servers, PCs and notebooks, supplying them to resellers, mass retailers and the government, among others. Through its holding in Datacentrix, the company is a player in the IT service market too.

During the 12 months ending in June, the group's revenue increased by 8% to R8bn, while its after-tax profit rose 2.5% to R280m. Pinnacle generated 33% more cash at R509m and brought down its debt-to-equity ratio from 77% to 50%.

"The outlook for the IT sector is generally tied to the outlook for the general economy," says Irnest Kaplan, MD of Kaplan Equity Analysts. "[SA's economy] has been through a really tough period over the past few years."

He reckons the economy is currently experiencing its toughest time and would remain at these growth levels for another year. When it starts to grow again, corporate customers would need to replace and buy more computer equipment, making Pinnacle well-positioned to benefit, Kaplan says.

"The outlook on the services front is quite good," according to him. Datacentrix, in which Pinnacle holds a 33% stake and to which it sold its Infrasol business for R85m during the reporting year ending June, is a smaller player in the market and there is a lot of opportunity for this company to grow, he says.

ONELOGIX

Industry: Transport – Logistics

52-week range:	R4.20 - R6.50
Price/earnings ratio:	-
1-year total return:	+10%
Market capitalisation:	R1.5bn
Earnings per share:	-R0.02
Dividend yield:	2.7%
Average volume over 30 days:	70 953

SOURCE: Bloomberg.com

OneLogix is a logistics company with units that transport new and used passenger and commercial vehicles, bulk and heavy equipment and bulk freight.

It previously owned Postnet, but sold it to Aramex (UK) for R190m in the recent financial year.

During the 12 months ending in May, the company's revenue grew 8%. It reported an after-tax loss of 2.5c/share from continued operations. OneLogix made a number of investments to strengthen its focus on specialised logistics.

During the 12-month period it bought a 74% stake in Jackson and Buffelshoek for R106m; bolstered its stake in Projex to 90% from 80% for R7.9m; increased its shareholding to 100% from 75% in CVDS for R15.4m; raised its ownership in United Bulk from 60% to 74% for R14.7m; and upped its stake in Quasar Software Developments to 85% from 55% for R2.5m.

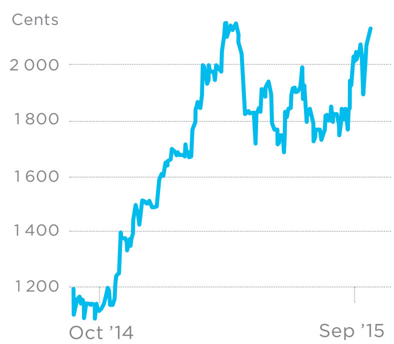
"They are quite small and they are growing fast," says Vunani Securities' Clark. "Their upside is to specialise in some key areas of logistics and if you look at their recent acquisitions, it has been in the transportation of perishable goods and food."

This niche market requires a high level of skill and expertise to manage the supply chain, Clark says. The company has done well in this sector, according to him.

"They're sticking to a niche of logistics which could do quite well in this country as many companies outsource and as the population starts to demand and eat much more fresh and perishable food," he explains.

RHODES FOOD GROUP

Industry: Food processing



52-week range:	R10.74 - R50
Price/earnings ratio:	44.42
1-year total return:	-
Market capitalisation:	R4.66bn
Earnings per share:	R0.48
Dividend yield:	-
Average volume over 30 days:	51 890

SOURCE: Bloomberg.com

Rhodes Food, known for its canned fruit and jams, listed on the stock exchange almost a year ago. The company's share price has almost doubled since then after it went on a buying spree buying fruit-juice producer Pacmar for R165m; fruit and vegetable concentrate maker Boland Pulp for R101m; and jam-maker Deemster in Bethlehem for R10m. In May, Rhodes said it would buy Lydenburg-based pie-maker Saint Pie for R20m.

"The only way that a food company in this sector can actually hope to compete against Tiger Brands, Pioneer, AVI, RCL Foods and the unlisted Premier Foods, is to have scale," says Clark.

"They have to go out and bulk themselves up."

As such, Rhodes has decided to focus its food business on fruit and pastry, he says.

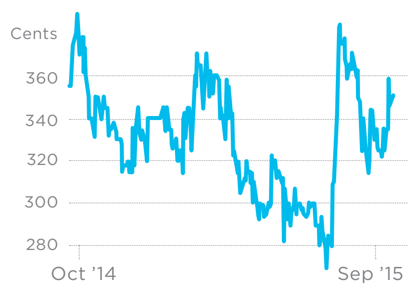
"They think they can have scale in that area," Clark says. The company's growth has been acquisitive-led and the underlying businesses haven't done badly, according to him.

Rhodes saw its revenue for the six months ended in March rising 12.4% to R1.29bn, while after-tax profit jumped 53% to R58.1m.

The company relies on exports for about 35% of its revenue and 41% of its earnings, according to its latest interim financial results.

ROLFES HOLDINGS

Industry: Chemicals



52-week range:	R2.51 - R3.90
Price/earnings ratio:	9.16
1-year total return:	-1.41%
Market capitalisation:	R380m
Earnings per share:	R0.38
Dividend yield:	-
Average volume over 30 days:	265 085

SOURCE: Bloomberg.com

"IT'S A GREAT LITTLE **BUSINESS** DOING ALL THE RIGHT THINGS"

Rolfes Holdings, a chemicals manufacturer which is known to produce resin used in paints, has been refocusing its strategy away from so-called bulk chemicals to more specialty chemicals. The company will focus on chemicals used in food, agriculture, water, industrial products and infrastructure development in emerging markets in future.

Rolfes recently announced that it would buy Bragan Chemicals for R213m through a placement of shares with two of its largest black shareholders. Bragan would boost Rolfes's presence in the food and beverage chemicals market.

"It's a great little business doing all the right things to transform itself into a niche-based specialty chemical business," says Clark.

Bulk chemicals offer lower margins than specialty chemicals, according to Clark. The Bragan deal would place Rolfes in the position to benefit from consumers' more discerning tastes and the need for perishable products to have longer shelf lives as it supplies colourants and flavourants to food producers.

On 21 September, Rolfes announced an increase in revenue of 13% to R1.1bn for the year to end June. Profit after tax was up by 24% to R47.3m.

Rolfes is "doing all the right things in moving up the margin chain" and it may end up "with a much more profitable smaller-revenue business", Clark says. ■

editorial@finweek.co.za

Prime waterfront property easier on the pocket

BY GLENDA WILLIAMS

Desirable precincts, particularly those in prime urban hubs, are rarely affordable for those without deep pockets. Tackling that dilemma is the Amdec Group, bringing more affordable residential properties to market in prime locations, as it has done with its One on Whiteley residential project in prestigious Melrose Arch and is now doing in the Mother City.

Amdec Group is well diversified nationally, with currently around 1m square metres of developable opportunities under ownership. One of those opportunities is a site on Cape Town's foreshore to be developed as The Yacht Club, a unique R1.2bn mixed-use project at the gateway to Cape Town's Waterfront, due for completion in mid-2017.

Set between sea, working harbour and a new R180m cruise-liner terminal to the north; Table Mountain and Roggebaai canal to the south; and V&A Waterfront to the west, with the only way for expansion eastwards, The Yacht Club is the logical extension of the waterfront and the natural progression of revitalising and gentrifying an area that abuts the prestigious V&A Waterfront.

"The location is what it is all about," says Nicholas Stopforth, Amdec Property Development's joint MD.

The Yacht Club will link seamlessly to the V&A, Cape Town International Convention Centre as well as the city and beyond via a variety of transport systems – water taxi, bus, shuttle, taxi and car.

And it is pedestrian-centric.

"From a perspective of new urbanism, it ticks all the boxes of a pedestrian-friendly environment, one in which you can connect seamlessly to the environment via foot," according to Stopforth.

"Residents will have full pedestrian and water taxi traversing rights to the V&A," adds Amdec CEO James Wilson.

The product is clearly upmarket, even while the one- and two-bedroom apartments are significantly discounted in relation to other waterfront properties.

"And," Wilson tells *Finweek*, "it would be very simple to connect a one- and two-bedroom unit to create a bespoke three-bedroom unit, should the need arise."

"Scarcity of supply on the waterfront and on the Atlantic Seaboard has pushed pricing on the waterfront front basin up to R85 000/m² and even as high as R107 000/m²," says Basil Moraitis of Pam Golding Properties. "On the canals, prices are up to R66 000/m² on average, probably an increase of 100% over the last three to four years."

The company expects net rental yields to be between 8% and 11% in the first year and Stopforth is upbeat about the development's attraction for both young professionals and investors alike: "In five or 10 years, there will be no differentiation between this investment and waterfront properties. [Get] in now at around R44 000/m²; in five years' time you will double your money, no question."

Amdec recently sealed a deal with hotel group Marriott International for a third hotel in Melrose Arch, so betting on Marriott as being the party interested in procuring a contract on The Yacht Club development might not be too long a shot.

Whether a Blue Train terminal is located in the precinct remains to be seen but would be an added pull for investors. ■

editorial@finweek.co.za

THE 27 000M² PROJECT

- **8 000m² commercial office space at ground and first-floor level**
- **160-room four-floor hotel measuring around 10 000m²**
- **170 residential apartments**
- **R2.4m for a one-bedroom unit of 54m²**
- **R3.9m to R4.5m for two-bedroom apartments**
- **The cost per square metre: R44 000 to R54 000**

An artist's impression of The Yacht Club

US interest rate hikes: Delaying the inevitable

BY LIESL PEYPER

Now that the United States Federal Reserve has decided to hold off interest rate hikes, the next question is when it will actually start with the lift-off. *Finweek* asked some market analysts to give us their best guesses.

Federal Reserve chair Janet Yellen's announcement on 17 September that the world's biggest economy will keep its interest rates unchanged was, although not unexpected, met with mixed feelings in her home country.

Some US analysts believed the decision to hold off was justified, such as private equity magnate David Rubenstein of the Carlyle Group, who told CNBC that an interest rate increase would affect the whole world, particularly emerging markets. He believed that the Fed would wait for additional economic data (labour, economic growth and inflation figures) before considering moving rates upwards.

The influential newspaper *The New York Times* agreed that it was a positive move, saying in an editorial piece by "holding steady" the Fed is acknowledging the dampening effect global economic weakness and financial-market volatility could have on the American economy. It went a step further, suggesting that an imminent rate hike would be immature because the US labour market hasn't recovered as the Fed indicated. "Inexplicably a majority of Fed Officials expect to begin to raise rates later this year."

James Bullard, however, the Fed President of St Louis in Missouri, argued in *The Wall Street Journal* that the Fed's decision to hold off rate hikes only increased uncertainty about the direction of the US economy. In his view the Federal Open Market Committee (FOMC) didn't provide a "satisfactory answer" as to how near zero-interest rates align with "close to full employment and continued economic growth".

IF NOT NOW, THEN WHEN?

By keeping interest rates unchanged, the Fed adhered to calls from the International Monetary Fund (IMF) and the World Bank to delay the move, although analysts believe it won't be too long before an increase.

IN THE SHORT TERM, THE RAND, WHICH HAS SUFFERED GREAT LOSSES OVER THE PAST YEAR, WILL BENEFIT FROM UNCHANGED INTEREST RATES IN THE US.

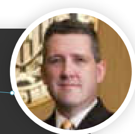
Stanlib economist Kevin Lings notes that 13 out of 17 FOMC members expected a rate hike before year-end.

"The longer the Fed maintains its [near] zero interest rate policy, the more it distorts global risk taking," he said in a recent company note. "Although an increasing number of market participants anticipate a rate hike will be postponed until 2016, I believe a rate increase will be announced before the end of 2015 – it's likely that this will occur in December."

Adriaan Pask, chief investment officer at PSG Wealth, agrees that a rate hike may still happen this year. "We expect the next important announcement to be around the corner. The next Fed interest rate decision is scheduled for 28 October, followed by Yellen's formal public address on 30 October."

Bart Stemmet, an economist at NKC African Economists is of the view that December is D-day for US rate hikes. "The Fed kept interest rates stable this time around to see if volatility in world markets would abate, but they're happy with where their labour market and other economic indicators are at the moment."

SHOULD WE BE WORRIED ABOUT AN **ASSET BUBBLE**?



St Louis Federal Reserve Bank President James Bullard has repeatedly warned this year that a delay in interest rate hikes could cause an asset bubble, similar to the tech bubble in 1998 and the US housing bubble in 2008. If it bursts, the spillover effects will be felt by the rest of the world.

FNB economist Alex Smith agrees that there are already signs that some asset prices have become inflated. "But I don't think that will necessarily result in a global recession to the likes that we've seen." He believes it will depend on how aggressively the US Fed applies rate hikes. "They can't keep rates so low for too long, because it will mean they'll have to lift them more aggressively in future. They don't want to be too far behind the curve as an aggressive hike cycle could do damage to the world economy."

RIPPLE EFFECT

When Yellen made the Fed's announcement she cited "heightened concerns about China and other emerging market economies that lead to more volatility in financial markets" as the main reason for keeping interest rates unchanged.

Does this mean the Fed is seeing itself increasingly as the central bank of the world, having to stave off worldwide recessions? Randall W Forsyth, editor-in-chief of the *The Wall Street Journal* Digital Network, thinks so. "It is also ironic that the US central bank is taking on increased influence in international economic affairs, while China [...] is going through the throes of a significant slowdown," he wrote on barrons.com.

FNB economist Alex Smith agrees. "The US is taking cognisance of what a rate hike could do to the global economy," he says. "Financing conditions are determined largely by interest rates in the US and their rates are the dependent variable in terms of the calculations of borrowing costs for other countries."

WHAT'S IN STORE FOR SA?

Interest rate hikes in the US will make assets there more attractive to investors, who may take their investments from emerging markets to the US instead. This, in turn, leads to a stronger dollar, which weakens emerging market currencies.

In the short term, the rand, which has suffered great losses over the past year, will benefit from unchanged interest rates in the US, while it decreases the chances for a rate hike in South Africa. NKC's Stemmet believes the US's intention to raise rates gradually has already been priced into the value of the rand. "But I suspect the South African Reserve Bank will start increasing rates here moderately once the Fed has upped theirs to make sure our assets remain attractive for the world."

As for equities, FNB's Smith believes the fact that the Fed is holding off interest rate hikes for now may be positive for local markets over the short term, although it's not a "sustainable underpin".

"What you really want to see is earnings growth and I think what's concerning is that the Fed is saying explicitly they're worried about emerging market growth. If I was an equity investor I'd be worried because it does raise the risk that your earnings and dividend growth over the next few years is maybe going to be weaker."

Smith points out though that higher interest rates in the US will be positive for SA. "It will signal that the US growth story is on track. Bear in mind that the US is a very important trade partner for SA. About 10% of our exports go to the US. Yes, higher US interest rates may mean a bit of rand weakness, but in the medium term it signals positive for our exports. If our exports could pick up it will be a big boost for our economy." ■

editorial@finweek.co.za

Janet Yellen
Chair of the Federal Reserve

Getty Images/ Brendan Smialowski /AFP Photo

Gallo Getty Images/Andy Roberts

Financial crisis a distant memory for SA banks

BY BUHLE NDWENI

South Africa's big four banks – Standard Bank, FirstRand, Barclays Africa Group and Nedbank – reported record profits in the first half of 2015 despite the country's lacklustre performance.

EY, in its latest review of the local banking market, found banks' headline earnings had reached their highest levels since the global financial crisis, with profits growing at 11 times faster than the GDP growth rate. The long-term average growth multiple for the sector is 5.2%.

Its performance was driven by strong growth in the rest of Africa, despite weaknesses in key markets (Nigeria, Kenya and Ghana), continued efficiency improvements and stronger margins. Corporate and investment banking earnings were particularly strong, rising at nearly double the pace of retail and business banking earnings, EY said.

According to a recent PwC study, which also looked at the preformance of the major banks, headline earnings grew by 17.7% to R32.8bn in the first half of the year, driven by 9% growth in net interest income (NII), a 6.7% increase in non-interest revenue (such as bank fees), and a reduction in impairment charges of 2.4% when compared against the first half of 2014. The decrease in impairment charges is partly thanks to tighter collection strategies, PwC said.

However, when compared with the

second half of 2014, the combined impairment charge of the major banks increased 12.9%, according to PwC. Retail mortgages continue to represent the largest proportion of non-performing loans at 38%, it said.

Gross loans and advances experienced double-digit year-on-year growth of 11.6% in the first half of the year, driven by healthy demand in the corporate and investment banking sector outpacing retail credit demand, PwC said.

GROWTH ON THE CONTINENT

Standard Bank leads the pack when it comes to the proportion of earnings from the rest of the continent, with 25% of bank profits earned outside SA, followed by 17.6% for Barclays Africa Group and 8.1% for FirstRand. Nedbank, which saw headline earnings from its Rest of Africa operations grow by a whopping 338% in the first half thanks to the inclusion for the first time of its stake in pan-African group Ecobank, saw the division account for 6.5% of overall profit.

Over the past few years, Standard Bank has divested from its international operations in the UK with a renewed focus on Africa. FirstRand continues to look for opportunities in the rest of Africa. "They've made it clear that they are not going to acquire interest at any cost; they want value and have therefore started greenfield operations and have established businesses in both Nigeria and Zambia. They continue to look for opportunities, but they are starting to grow, you can see that through their CIB [corporate and investment banking] revenue that's improving from the rest of Africa," says Emilio Pera, financial services sector leader at EY.

Nedbank acquired its 20% stake in Togo-headquarterd Ecobank Transnational Incorporated (ETI), in October 2014. The two entities have had a strategic partnership since 2011 when ETI secured a $285m loan (with the option of converting the loan into equity shareholding) to fund its acquisition of Nigeria's Oceanic Bank. Nedbank is now focused on growing through acquisition in East Africa.

Despite persistently low oil and commodity prices, there is still strong growth from the rest of Africa. Nigeria, Kenya and Ghana have continued to be resilient within those environments, for instance, Standard Bank operates in about 18 African countries and has a well-diversified portfolio, diversifying the risks to individual countries, says Pera.

OUTPERFORMING GLOBAL PEERS

SA's major banks outperform their global counterparts across a host of key performance indicators, EY said. On average, for example, South African banks earned a return on equity (ROE) of 18.4%, compared with the global average of 10.3%, while net interest margins averaged 4.4%, compared with 2.3% globally. However, the cost of equity at 13.4% is higher for local banks, compared with 10.9% for global banks.

SOUTH AFRICAN BANKS

EARNED A RETURN ON EQUITY OF 18.4%, COMPARED WITH THE GLOBAL AVERAGE OF 10.3%.

According to the latest reported results, FirstRand earned the highest ROE, reporting a normalised ROE for the year to end June of a whopping 24.7% (2014: 24.2%). This is followed by Nedbank's ROE (excluding goodwill) of 17.3%; and Barclays Africa Group with 16.1%. Standard Bank's ROE leaped from 12.7% in the first half of 2014 to 15.1% in 2015. ■

editorial@finweek.co.za

Emilio Pera
Financial services sector leader at EY

TECHNOLOGICAL DISRUPTION IN THE SECTOR

Digital investment is a key focus area among SA's big four banks, says Emilio Pera, financial services sector leader at EY. With Capitec Bank making its mark and stealing market share over the past few years (also see page 35), the big banks have responded and there's been significant innovation.

For instance, FNB, named the world's most innovative bank in 2012, recently launched the Easy Account, which allows consumers to bank at a cost of only R4.95 a month. The product is seemingly aimed at gaining market share from Capitec, where clients can bank for R5 a month.

"The banks have definitely responded and are bringing new innovations to clients' faces, but at the same time what we are seeing is that because of the increased regulations, especially the Fica [Financial Intelligence Centre Act] review, it's about how you respond to that and your regulatory compliance with the National Credit Regulator," says Pera.

The aim of Fica is to prevent financial crime, such as money laundering, tax evasion, and terrorist financing. In 2014, the South African Reserve Bank imposed administrative sanctions on all the banks for non-compliance with Fica, with Standard Bank getting a hefty financial penalty of R60m, while FirstRand was penalised R30m, Nedbank R25m and Absa R10m.

Comair trusts its big bank balance to beat competition

BY JACO VISSER

With two new entrants into SA's small domestic airline market, the company with the biggest bank balance would survive in an environment where large-scale investment is needed to boost airplane efficiencies, **Comair CEO Erik Venter** told *Finweek.*

Comair, which operates kulula.com and British Airways in SA, holds about 40% of the local market.

With around 12.9m airline passengers a year, the South African domestic market compares with the number of people passing through Stansted Airport north of London, says Erik Venter, CEO of Comair. His company, which operates the British Airways brand in SA and low-cost carrier kulula.com, holds about 40% of the local market share.

Increased competition from new entrants FlySafair and Skywise Airlines saw Comair sacrificing revenue by passing on a substantially lower fuel price to customers in a bid to keep its market share, according to the company's latest financial results. The company continued to invest in switching its fuel-guzzling Boeing 737-300s to 747-400s and eventually the efficient 747-800s.

Since 2001 the average airfare in the market rose by 25%, whereas the cost of inflation for aviation overall jumped by almost 200%, Venter says.

"Every year you basically have to find a cost saving to offset the inflation because it doesn't come in the airfare," he says. "One of the main ways to realise that cost saving is to keep upgrading the aircraft to be more efficient."

The only way to upgrade a fleet is to have adequate income to fund the costs of leasing the aircraft or owning the airplanes, Venter says. This calls on airliners to realise good cash flow and good profits, he says.

ROCK-BOTTOM PRICES UNSUSTAINABLE

Comair looks to work at a minimum profit margin of between 4% and 5% for long-term sustainability, says Venter. In order to maximise the efficiency of an airliner, through upgrading the fleet as soon as is practical, the ideal is a margin of between 7% and 8%, according to him. At a margin of 4%, the profit per passenger is about R50.

"The current airfares are just completely out of the ballpark," Venter says. At a net airfare of R1 000, the company realised a profit of R50 per head. This computed to a sustainable airfare of about R1 300 one-way after adding taxes and VAT, he says. Some of the competitor low-cost airliners are currently offering return tickets, including all additional charges, between Johannesburg and Cape Town at R1 400.

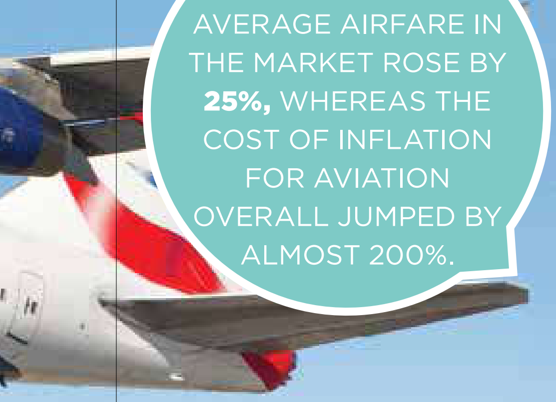
"The kinds of losses being incurred at that level are humongous," he says. "It's

GETTING TO KNOW ERIK VENTER

What are you currently reading?
Neal Stephenson is a very smart writer. I've been reading a book called *Seveneves* by him. I churn through the books quite quickly.

What is your favourite vacation spot?
Just down to KZN to Shaka's Rock. It's easy to just pile the family into the car and quickly take a trip down there. Occasionally when I do an international trip, Italy is always fantastic.

What do you do to relax?
I build cars to relax. I'm busy building a 1967 Ford Mustang. They usually take me about seven years to build. It's a slow project but a good way to get away from work; you need to concentrate on what you're doing, so you switch your mind off work and other things.



SINCE 2001 THE AVERAGE AIRFARE IN THE MARKET ROSE BY **25%,** WHEREAS THE COST OF INFLATION FOR AVIATION OVERALL JUMPED BY ALMOST 200%.

seriously unsustainable and it's really a question of who's got enough cash flow to stay in business the longest and who's prepared to lose the most money in the process."

Switching its fleet is on track and the company plans to phase out all its small Boeing 737-300s by year-end. These planes are unviable and too small and the cost per seat too high, Venter says.

"As an interim measure we've taken on a couple of 737-400s, which fill the gap until the delivery of the 737-800s," he says. The operating cost on a 737-300 and 737-400 are identical, but it is spread over more seats in the 737-400, he says.

By the end of 2016 Comair's fleet will consist of eleven 737-400s and fourteen 737-800s and by the end of 2021 the company plans to retire all its 737-400s, Venter says. The 737-800 is about 6% more fuel efficient than the other two models, according to him.

Erik Venter
CEO of Comair

DROP IN TOURIST NUMBERS INCREASE PRESSURE

The company's drive to increase fuel efficiency together with the number of seats and comfort on its aircraft comes at a time where the domestic economy is shrinking and strict visa regulations inhibit tourist arrivals.

Typically passenger number growth equals two times GDP growth, subject to GDP growing in excess of 2%, Venter says. When GDP growth decelerates to below 2%, the industry typically experiences a decline in the overall number of air passengers, he says. SA's economy shrank by 1.3% quarter-on-quarter annualised in the three months to end June, according to Stats SA.

"We really need to get the GDP [growth] numbers up," Venter says. "That will stimulate new revenue growth in the industry again."

The company's revenue for the 12 months to end June remained flat at R5.89bn while per-share earnings declined by 18% to 47.8c. The board declared a dividend of 18c/share, up from last year's 15c/share. Comair had R849m cash on hand at year-end compared with R868m a year earlier. Comair's airlines also offer regional flights to destinations in the Indian Ocean, Zambia, Zimbabwe and Namibia. Even as the percentage growth in air passengers looks good in the rest of Africa, it's coming off a very low base, Venter says. Airliners would need to see many years of positive GDP growth in those countries before any meaningful volume growth would be realised, he says.

The company saw the negative knock-on effect of the SA government's stricter visa regulations on especially its Johannesburg-Livingstone route. The volume of Chinese tourists to Livingstone in Zambia, where the Victoria Falls are located, dropped by about 45%; for American and European tourists the decline was about 30%, he says.

"There is a lot of pressure building to sort this out now, from within government and from industry," Venter says. "A lot of the damage is now done. It takes years to get these foreign travel agents or tour operators to put South Africa on their inventory list."

It won't be an easy task to lure back lost tourists, according to him. Firstly, you need to convince them to fly a long way as SA is located far from the big markets. Secondly, you need to rebuild relationships and trust with them, Venter says.

"We basically killed those markets completely," Venter says. "We've got to start from scratch [and] rebuild again." ■

editorial@finweek.co.za

Recruitment is a tough gig these days

BY CIARAN RYAN

Recruiters recall with fondness the giddy days of 2008 when the economy was growing at close to 5% and companies were hiring with abandon. It's been downhill since then, reflected in fewer placings and more rigid regulations. As the private sector continues to shed jobs, amendments to the Labour Relations Act have worsened the situation.

The economy has been slowing for several years, and this accounts in part for the phlegmatic pace of recruitment. But government's meddling in labour affairs is probably the greatest killer of jobs, according to Free Market Foundation economist, Loane Sharp.

Government is the only employer doing any serious hiring. The public sector now employs more than 2.1m people, roughly a third more than a decade ago, while the private sector has shed 4% of its jobs over the same period.

Earlier this year Telkom announced it was to lay off 4 400 workers and transfer 3 400 more to outsource companies. Trade union Solidarity warned that white employees were especially at risk, as employment equity is one of the criteria to be used in deciding who gets booted.

Lonmin plans to cut 6 000 jobs while Anglo American has plans to retrench 53 000 workers over the next six years. A further 900 jobs are on the chopping block at Glencore's Eland Platinum

mine near Brits west of Pretoria.

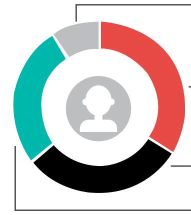
But worse is to come. Government's propensity for sabotaging private sector job creation was put to the test over the last year and it passed with flying colours. Recent amendments to the Labour Relations Act, effective from the beginning of the year, have forced companies to convert temporary staff to permanent employees after three months.

The African Professional Staffing Organisation (Apso) says 2.45m jobs are in jeopardy as a result of these amendments. Apso is currently challenging this interpretation of the law in court. "At a time when the country desperately needs jobs, we get a piece of legislation that effectively kills temporary jobs," says Roly Boardman, chairman of the Apso ethics committee.

"Every advanced economy in the world relies on temp workers. This law is not going to change that.

2015 RECRUITMENT SURVEY BY CAREERS24

VACANCIES THAT ARE HARDEST TO RECRUIT FOR



8% - ARCHITECTS

32% - TECHNOLOGY

28% - ENGINEERS

25% - PROGRAMMERS

TOP TRENDS THIS YEAR

More candidates that **do not** fit the job spec are still applying

Candidates have **unrealistic** career expectations that do not match their skill level

Salaries are consistently **lower** than candidates expect

Candidate interview skills are **lacking**

SOURCE: Careers24

The last official figures show that government, currently employees around 2.1m people. But while government's payroll is growing, analysts say, the contrary is happening in the private sector.

"You have companies that normally employ say 60 temp workers to meet seasonal demand now saying they will take on 10 permanent employees and dispense with the rest. Straight away you have lost 50 jobs."

Sharp says 5m people entered the labour market over the past decade, but only 3m found work.

"This is the most worrying aspect of our economy, that the only sector which is actually growing from a jobs perspective is the public sector."

The official unemployment rate is 26%, but Sharp expects this to rise to 40% within seven years as more people leave school only to have their dreams crushed on entering the job market.

"The private sector has stopped hiring, in fact it is laying off workers," he says.

The unemployment rate could be as high as 50% in seven years if a narrower definition of employment is used. StatsSA regards someone who works for an hour a week as employed.

There's no shortage of people actively looking for work – 4.7m of them, according to StatsSA – but few of them are going to find jobs, as private sector recruitment has gone into reverse, and the public sector puts the breaks on new placements.

"There are more companies laying off than hiring," says Gareth Tindall, sales and marketing executive at Adcorp, the country's largest recruitment firm. Adcorp placed 174 000 people in jobs in the last financial year and screened 1.5m candidates. This affords it a bird's-eye view of recruitment trends.

"Companies are looking for people with the right skills, but it is difficult to find the right candidates. What this tells us is there is a massive lack of skills in the country," says Tindall.

Sharp agrees, adding that unemployment is virtually zero in the highly skilled categories. "The problem of unemployment is limited to those without the necessary skills."

Tindall says temporary recruitment was recovering from the post-2008 drop, but the change in the Labour Relations Act has thrown the market into confusion. "I think in the future, we will see more outsourcing and independent contracting of labour, rather than labour broking, and private companies will move towards productivity-based remuneration, which is something the trade unions do not like. But companies are being forced to come up with solutions to trim the costs of employment, particularly at a time when the economy is so weak.

Gallo Images / Franco Megannon

"SA has an oversupply of labour, yet labour costs are going up. This is not sustainable."

Government has a fight on its hands over these amendments to the Labour Relations Act. In a recent statement Apso vice-president KC Makhubele said these amendments were having a negative effect on black-owned recruitment firms: "The interpretation of and uncertainty surrounding these amendments has already resulted in the folding of a number of small- to medium-sized recruitment companies – a number of which are black-owned – and as a result, goes against government's intention to support and grow black business."

SLOW RECOVERY

Philip Park, MD of Professional Career Services, says the golden years of recruitment were 2007 and 2008, when demand for engineers and construction personnel was high, not just in SA but elsewhere in Africa and the Middle East. This was driven by booming construction and mining activity in SA and abroad. "We could barely keep up with the demand and the candidates had a vast choice of positions to choose from, both locally and overseas," he says.

Recruitment volumes virtually halved after the 2008 financial meltdown, with the mining sector being the worst affected. Volumes have yet to recover to their 2008 peak, according to Park. "Larger companies have cut down on recruitment costs and have attempted to handle their own recruitment needs.

"They will make use of our services when they are unable to find the suitable candidates for management or highly-skilled engineering positions. The situation is aggravated by more stringent BEE requirements that have been imposed on companies."

> "THE MOST WORRYING ASPECT OF OUR ECONOMY IS THAT THE ONLY SECTOR WHICH IS ACTUALLY GROWING FROM A JOBS PERSPECTIVE IS THE PUBLIC SECTOR."

Loane Sharp
Economist at the Free Market Foundation

Given the low barriers to entry into recruitment, hiring firms tend to sprout during boom times and disappear just as quickly when the going gets tough. Many companies are now doing recruitment in-house to save costs, and online services such as Career24 have eaten into the market of traditional recruitment firms. Makhubele says traditional recruiters still have the edge over in-house company recruiters due to the wider pool of candidates on their books. "Recruiters also spend more time interviewing and developing candidates. Through temporary and contract employment, BEE candidates gain much-needed experience in order to enter the permanent market."

Businesses that share their staffing strategy and overall business objectives with their staffing partner will also ensure that these targets are prioritised, and met, adds Makhubele.

While large companies have stopped hiring, the same is not true of medium-sized companies. "We've seen an increase in demand from medium-sized companies, many of them hiring for projects they are doing abroad," says Park. One sector that is doing well is travel and tourism, though it remains to be seen what impact SA's stricter visa requirements will have on recruitment.

Despite competition from company in-sourcing and online recruiters, Park says the traditional recruitment agency will always be around: "When you have been in the business a while, you have the network of candidates and you have a very good sense of what kind of people your clients are looking for. There are different levels of professionalism in the industry, but one thing the more established recruitment firms bring to the party is a thorough screening process so you can get the best fit for the job being advertised. Companies hate to have their time wasted with inadequately screened candidates." ■

editorial@finweek.co.za

JOB SEEKERS DON'T HAVE THE SKILLS, EXPECT TOO MUCH PAY

Job seekers are demanding too much pay, and candidates are applying for jobs without the required skills.

These are some of the findings that came out of the 2015 Recruitment Survey by Careers24. There's nothing particularly unusual about this, only that the situation seems to be getting worse.

One of the biggest challenges facing recruiters is the mismatch between the required level of experience and the skills of job seekers. "Salaries and expectations are also misaligned with 28% of recruiters confirming that salaries are lower than the candidates expect while a whopping 76% of the respondents said that candidates were applying for jobs they do not have the skills to meet," according to a summary of the findings.

The survey indicated that 32% of recruiters find sourcing candidates in the technology sector the most difficult, followed by engineers at 28% – due to a shortage of available skills.

The survey suggests recruiters are struggling to match the right candidates to their job specs. Some 88% of the respondents say one of the main challenges they face is candidates who apply but who do not fit the job spec. A further 69% say candidates have unrealistic career expectations that do not match their skill level and the salaries on offer are consistently lower than their expectations.

The race is on for **urban and smaller spaces**

BY GLENDA WILLIAMS

The growing popularity of a 'live, work, play' lifestyle is fuelling the demand for urban residential properties. In 1960 only 46.6% of South Africans were living in urban areas. But by 2014 that number, according to Absa's *Homeowner Insights* report, had risen to 64.3% and is estimated by the United Nations to reach 71.3% by 2030.

Cost of transport, congestion, and time taken to get to work is starting to lead us to look for state-of-the-art public transport and property in close proximity to major business nodes on those transport corridors, says John Loos, household and property sector strategist at FNB Home Loans.

Urban living offers an all-inclusive cosmopolitan lifestyle, together with convenience, security, reduced transport time and costs, all contributing to growing urbanisation around the country's major metropolitan areas and core cities. But land around these areas is becoming increasingly scarce. "With infrastructure challenges and an ever increasing 'work, live, play' trend as a lifestyle and property purchasing driver, my expectation is that this trend will continue and as a consequence drive demand and determine pricing as a result," Dr Andrew Golding, CEO of Pam Golding Properties group tells *Finweek*.

"Residential densification within the Johannesburg and Pretoria nodes like Rosebank, Fourways, Midrand, and Menlyn are just four examples of rapidly growing centres, and we are seeing ongoing demand for quality accommodation either in or nearby these nodes," he adds.

Walkability too is becoming a huge drawcard for urban living and is one that the Amdec Group has factored in with its new, somewhat more affordable waterfront development, The Yacht Club, on Cape Town's foreshore. "The mixed-use nature of the development lends itself to an increasing new urbanism trend, that of being pedestrian-centric and connected to the city," says Nicholas Stopforth, Amdec Property Development's joint MD.

Combine the urbanisation trend with affordability, including that which results from the extensive upkeep and utility costs that large homes require, and the effect is an increasing number of home buyers opting for a more economical choice – one that will exert less pressure on their finances. A smaller home.

Unsurprisingly, smaller, sectional title properties, especially those in core urban areas are in great demand. In the last 20 years, flats and townhouses have made up 26.6% of newly completed buildings and 63% of all residential development units financed by Absa, were sectional title units, according to the bank's *Homeowner Insights*.

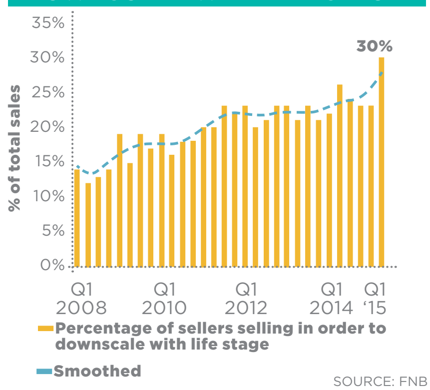
And for the first time since the 2008 recession, sectional title property price inflation has now begun to outperform freehold according to the Pam Golding Residential Property Index.

The smaller home trend is catching on across the board including with empty-nesters where, according to a recent FNB *Estate Agent Survey*, there's a rising percentage of people selling in order to downscale "due to life stage" (see graphs). And due to their affordability, sectional title homes offer an excellent way to gain a foothold in the residential property market for first-time home seekers, says Dr Golding.

Affordability and availability of smaller properties may be the driver to the renewal of Durban's CBD. Comprised almost entirely of affordable sectional title units, the area is experiencing a resurgence in developer interest. ■

editorial@finweek.co.za

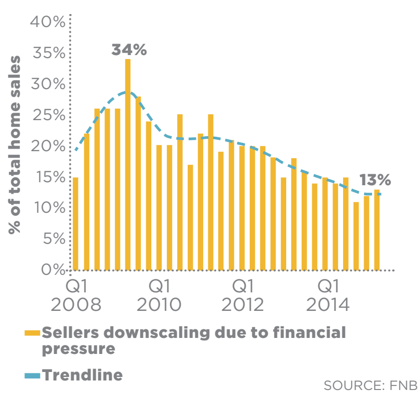
SELLING IN ORDER TO DOWNSCALE WITH LIFE STAGE



SOURCE: FNB

Rosebank is one of a few rapidly growing centres where demand for accommodation is growing accordingly.

DOWNSCALING DUE TO FINANCIAL PRESSURE



SOURCE: FNB

BUY SELL HOLD

ISHARES US REAL ESTATE (ETF)

US property is cheap and doing well

BY SIMON BROWN

WE WRITE ELSEWHERE in this week's issue about property as an asset class and its importance for a diverse portfolio (see page 34). However, local property has had an excellent decade of returns and the sector is expensive.

With that in mind, Keillen Ndlovu, head of listed property funds at Stanlib, suggests that US property is not only looking cheap, but that US property tends to do well in a rising interest rate environment. The logic here is that if rates are rising, it is because the economy is strong and so demand for property is robust.

My preferred option would be the iShares US Real Estate exchange-traded fund (ETF). The code on the New York Stock Exchange (NYSE) is IYR. With over $4bn (R53.9bn) in assets, it tracks the US equities in the real estate sector.

Top sub-sectors include specialised, residential and retail making up over half the ETF. Yield is modest at under 4%, while the expense ratio is decent at below 0.5%.

Being NYSE traded, you'll have to buy it via an international brokerage account and these days most local brokers offer international platforms. ■

Simon Brown Last trade ideas

- BUY The Walt Disney Company
- SELL Impala Platinum
- BUY Metrofile
- BUY TOPSBT

BUY SELL HOLD

NETCARE

Not looking too healthy

BY MOXIMA GAMA

PRIVATE HOSPITAL GROUP Netcare posted a strong set of results for the six months ending March – headline earnings per share increased by 15.3%, while the dividend jumped 18.8% – a performance that should have propelled the share price to make a sizeable recovery.

Instead, sentiment was passive, with Netcare forming a lower top at R415.50/share. It seems investors are selling off the defensive stock. Although Netcare is reporting satisfactory earnings, it has been falling short of consensus expectations.

Netcare's division in the UK, which it entered in 2006, continues to struggle due to lacklustre growth. While total inpatient and day case volumes were up 2.5% in the interim period, the economic recovery has not filtered through to the Private Medical Insurance (PMI) market, Netcare said. However, this was partly offset by strong growth in procedures covered by the National Health Insurance (NHI), which accounted for 38.9% of the total caseload.

On numerous occasions, Netcare's management has had to justify the group's entry into the UK, where it operates under the BMI Healthcare brand, when more developing markets were said to have offered greater opportunities. While its UK operations accounted for 49% of revenue in the six months ending March, it only contributed 4% to operating profit.

Although costs are being tightly managed, Netcare is still experiencing significant cost-push pressures, and the UK health sector is facing a significant skills and qualified clinical labour shortage. Inflationary costs have increased since 2014 and declining NHS tariffs (applicable to all providers to the NHS) will most likely put significant pressure on margins.

A short-term sell recommendation on Netcare may seem puzzling, but its declining share price, despite a positive set of financial results, is a call for concern. Downside below R350/share would defy nine-month support, potentially spurring a sell-off to the R296/share levels. Alternatively upside above R415.50/share would negate this bearish call. ■

editorial@finweek.co.za

Moxima Gama Last trade ideas

- BUY Telkom
- HOLD Steinhoff International
- BUY Datatec
- SELL Aspen Pharmacare

A small-cap fund **beating SA's economic blues**

BY JACO VISSER

SANLAM INVESTMENT MANAGEMENT SMALL CAP FUND

The Sanlam Investment Management (SIM) Small Cap Fund was launched in the late 1990s as a vehicle to invest in listed stocks with a smaller market valuation. The fund uses rigorous research of about 100 small- and medium-capitalisation stocks to make investment decisions.

FUND INFORMATION

Benchmark:	Market Cap Weighted Index using the FTSE/JSE Mid Cap and FTSE/JSE Small Cap Indices
Fund manager:	Vanessa van Vuuren
Total Expense Ratio (TER):	1.76%
Fund size:	R379.7m
Minimum investment amount:	R5 000 lump sum or R200/month
Contact information:	service@sci.sanlam.com or 021 916 1800

TOP 10 HOLDINGS
(as at 30 June 2015)

1	Curro Holdings	4.79%
2	Rhodes Food Group	3.84%
3	Advtech	3.83%
4	Bowler Metcalf	3.62%
5	Zeder	3.38%
6	Advanced Health	3.18%
7	Adapt IT	3.07%
8	NBS	2.92%
9	Spur	2.91%
10	Taste	2.77%
	TOTAL	**34.31%**

PERFORMANCE (annualised) as at 31 August 2015:

	1 year	3 years	5 years	10 years
•**SIM Small Cap Fund**	14.3%	17.05%	14.09%	13.01%
•**Benchmark:**	5.86%	14.52%	16.38%	17.06%

Fund manager insights

THE SIM SMALL CAP FUND'S focus is on rigorous research, according to Vanessa van Vuuren, fund manager. With 12 dedicated analysts covering about 100 stocks, the fund is able to recognise potential companies while they're still providing growth potential, she says.

Over the past year the fund steered clear of resource stocks as the mining sector received a hammering and as the Chinese economy cooled down.

"We had no exposure to gold and some of the more vulnerable resource stocks that got smacked over the past 12 months," Van Vuuren says.

Some of the fund's holdings are smaller and this protects it from large sell-offs, since the underlying stocks are less liquid than those in the Top40 Index, for example. When there is a large sell-off these stocks tend to trade less and hold up stronger, she explains.

The fund was boosted over the past year by stocks such as Curro, Rhodes Food Group and Adapt IT, she says.

"I still see quite a lot of value in the sector," Van Vuuren says. "We look at it from a bottom-up stock-specific basis. We don't have broad-brush sector focuses."

Some of the smaller, below-the-radar stocks tend to hold up and are out of the attention of the market, providing some support to the portfolio, Van Vuuren adds.

PSG returned 118% over the past 12 months; Curro returned 50%; and Rhodes Food Group 80%, according to the fund's calculations.

WHY *FINWEEK* WOULD CONSIDER ADDING IT

The fund's size is one of its strongest points. This enables it to take smaller holdings in companies and at the same time ensures that it can get in and out of a stock easier. The fund has shown consistent above-inflation growth since inception and is invested in smaller companies with a solid future.

As it is a riskier asset class compared with a fund focusing on the top 20 listed stocks on the bourse, one would expect a higher return. ■

editorial@finweek.co.za

Property for your portfolio

BY SIMON BROWN

Property is an important asset class and should be included in any diverse portfolio. It's important to note that I am referring to listed property; your house does not qualify. I always want listed property as it diversifies itself across multiple locations. If I were to purchase individual properties, at best I would have a handful of properties that would be tedious to manage and would likely carry location risk.

The benefit of having property in a portfolio was clearly illustrated at a presentation I attended in September. Keillen Ndlovu, Stanlib head of listed property funds, was talking about property; what really struck me was a chart that clearly indicated how property improves returns in a diverse portfolio. Having a high 15% weighting in property within a portfolio adds a few percentage points to the overall long-term return of the portfolio, but also reduces overall volatility.

So the question is how to decide on what listed property stocks to include. The first point is, as always: You want the awesome property stocks – those trailblazers with great returns and yield.

This yield is an important point with property and one of the key benefits of the asset class. Typically, property pays out a high rate of dividend offering yields that are most often well ahead of normal stocks. This yield not only provides return, but also cash flow; cash flow that can either be used for living expenses or reinvested back into the portfolio.

The other issue with property is what types of properties are generally in a portfolio. In South Africa these are typically office, industrial and retail. The demands within these sectors will vary not only with broader economic conditions, but also location and quality. For example: Hyprop has mostly high-quality shopping centres, whereas Capco focuses on Central London, and Growthpoint seems to be everywhere, from the V&A Waterfront in Cape Town to Australia.

We have one local property stock dedicated to residential property, Indluplace. It's new to the market, but residential property provides nice diversification from traditional property stocks. We expect to see a storage company listing on the JSE later this year, adding another type of property investment.

Valuing a property stock is different from a normal company. We need to look at the vacancy levels (lower is better), location (always important), net asset value (NAV) and debt levels. NAV is important; with property we're buying a solid asset. But what premium are we paying for that asset? In truth I focus more on yield than NAV.

Bond yields are an important consideration when investing in listed property. There is a strong correlation between reducing bond yields and increasing property stock prices. This ratio currently suggests South African listed properties are expensive after their massive run of the last decade or so.

Finally, an important point to consider with property is that it's fairly resilient, as rental increases are written into the lease, so income is fairly smooth.

Having said all of the above, I still revert to my preferred exchange-traded funds (ETFs). We have three property ETFs on the JSE. The first two, PTXSPY and STPROP (from Core Shares and Stanlib respectively) track the local property index, hence I turn to the equal-weighted PTXTEN*. This ETF is also issued by Core Shares and has the 10 largest property stocks in SA, equal weighted at 10% of the ETF.

This ETF includes the local biggies as well as NEPI, which owns properties in Eastern Europe and Rockcastle – the properties all over the world add a good level of geographic diversification. ■

editorial@finweek.co.za

** The writer owns shares in PTXTEN.*

The V&A Waterfront, Cape Town

PROPERTY IS AN IMPORTANT ASSET CLASS AND SHOULD BE INCLUDED IN ANY DIVERSE PORTFOLIO.

Gallo Images/Getty Images/Graham Bartholomew

Can **Capitec** stay ahead?

BY MOXIMA GAMA

Many investors lost out on the run in Capitec Bank's share price last year as they shied away from the sector after the collapse of African Bank Investments (Abil), a major Capitec rival in the unsecured lending market. Abil's woes raised concerns that Capitec may also face higher-than-expected bad debts on its unsecured loan book.

While all bank stocks were affected by the Abil demise, which prompted credit downgrades from ratings agencies, Capitec's share price is up 97% over the past year, compared with the JSE's Financial 15 Index's 10.5%, according to INET BFA.

Capitec's share price has been under pressure since May, however. One of the concerns affecting the stock is a proposal from the department of trade and industry to cut the maximum interest rate on unsecured credit to 24.78% from 32.65%, which could curb the profit Capitec makes from lending.

Capitec was established in 2002 with the aim of providing affordable, everyday banking services in retail banking to the lower income sector of South Africa. It originally consisted of the 300-branch Finaid micro-loan business, which offered only one product – 30-day loans charging 30% interest a month, according to Sean Ashton, research analyst at Investec Wealth & Investment.

This has grown to a client base of 6.2m at the end of the financial year in February, an increase of nearly 15% from 2014. Its retail footprint covered 668 branches (2014: 629), while its ATM footprint grew 17% to 3 418 (including ATMs operated in partnership with external parties). About 2.8m clients deposit their salaries into a Capitec account. Its offerings are now attracting the middle- to higher-income group.

Capitec has partly been successful because it found a few ways to differentiate itself from the other major banks. Its most attractive initiative is encouraging saving by offering a higher interest rate for lower value savings. It has addressed high banking fees and indecipherable fee structures by simplifying communication and pricing, making it easy for customers to understand. Capitec also operates with longer banking hours during the week and some branches trade on Sundays, while its paperless system helps to cut down on queuing times.

The group is increasingly getting attention from foreign buyers, which now own 16% of the bank. This percentage is expected to rise to over 30% in the long term. Another bonus is that Capitec could soon be included in the benchmark MSCI Emerging Markets Index.

Although there is an underlying scepticism on whether Capitec can keep up its current growth rates, Bank of America Merrill Lynch has estimated that Capitec should continue to deliver annual earnings growth of 25% over the next four years. On 21 September, Goldman Sachs raised its target price to R516/share from R320/share, and liquidity in Capitec has since increased.

POSSIBLE SCENARIO: Capitec pulled back from the third and final phase of its primary bull trend, and has now breached the upper slope of its downward consolidation zone. A good entry point would be above R509.50/share, but the weekly RSI must breach the upper slope of its own consolidation triangle to substantiate the breakout in the price chart. A new bull trend, consisting of another three phases in the long term (one to five years), would commence above R580/share with potential upside to the R886.50/share targeted mark.

ALTERNATIVE SCENARIO: Downside below R405.55/share would negate the objective of the bullish continuation pattern, and Capitec could extend its bear channel to the R319/share next support mark. ■

editorial@finweek.co.za

CAPITEC BANK HOLDINGS LTD

52-week range:	R230 - R580
1-year total return:	+102.69%
Current P/E ratio:	21.46
Market capitalisation:	R54.8bn
Earnings per share:	R22.09
Dividend yield:	1.76%
Average volume over 30 days:	528 450

SOURCE: Bloomberg.com

Simon's stock **tips**

BY SIMON BROWN

AB INBEV/SABMILLER: IT'S GOING TO TAKE A WHILE...

Anheuser-Busch InBev (AB Inbev) has finally arrived and after five years of rumours it is expected to make a firm offer to buy out SABMiller in the next few weeks. So far we have very little information about the deal, except that AB InBev has informed the SABMiller board that it will be making an offer. The SABMiller share price skyrocketed 20% on the day and the offer is likely to be around these levels or maybe a little higher. That said, when/if a firm offer arrives, the deal will take ages (potentially as long as a year) and during that time the SABMiller share price won't move much unless the deal is either blocked or the price increased (the latter is very unlikely). So if you're a shareholder, sell when a firm deal arrives and take your profits.

ILLOVO DIVERSIFICATION PLAN FALLS FLAT

The Illovo update was a shocker largely due to the failure to get furfural-based nematicide registered in the US for use on food crops. Furfural is a by-product of sugar processing, so Illovo has lots of it, but seems unable to get the product off the ground in the US. The result of this failure was a write-down of around R150m – about 20% of the previous year's profit. This sounds nasty but the idea was solid and the board should absolutely be looking for alternative revenue streams. Unfortunately, some of the attempts to find alternative sources of income might not work in some cases and end up costing money. Aside from the write-down the update was as expected – weak as sugar remains under pressure.

SMART THINKING FROM PAN AFRICAN AND SIBANYE GOLD

Gold miners getting into coal? Pan African is looking to acquire the Uitkomst colliery while Sibanye Gold has invested in the Waterberg Coal Group. Pan is focusing on profits and a hedge against rising energy costs. The hedge idea is neat but Eskom costs are rising significantly while coal prices have remained under pressure, but in the longer term it's a great idea. Sibanye, however, is looking to eventually generate its own electricity, offsetting the costs and risks from Eskom supply. Both moves point to a smart management team taking control of its own destiny rather than just moaning about how tough things are.

SYGNIA LISTING ON THE CARDS

Sygnia has been meeting with asset managers ahead of its private placement in October. The feedback I have received indicates that this is going to be a great listing and certainly one I want to get in on. That said, a few important points: firstly, since it will be a private placement, not all brokers will necessarily be invited to offer the placement. Secondly, I'm not convinced by the long-term investment prospects of assets managers so while I plan to subscribe for shares (if I can) I will be looking to offload at profit shortly after the listing.

MEDICLINIC BRINGS IN THE GOODS FOR REMGRO

Remgro results show that Mediclinic* contributed just over R1.3bn (after some extra profits form favourable tax treatments in Switzerland). The rights issue Medclinic did cost Remgro R4.1bn meaning it'll pay it off from profits in about three years, a great deal.

AFRICAN BANK – A PAINFUL LESSON

African Bank is finally winding up the curatorship and those who held shares when it went into curatorship last August will receive nothing, as there is no money left after the bank paid debts and bondholders. At the time of the curatorship there was lots of talk that the suspended African Bank shares would have some value down the line. But as I wrote at the time: the bottom line is that if you hold shares in a company that goes bust, expect to receive nothing – that's the risk in being a shareholder. Your downside is potentially absolute but upside is uncapped if the company does well. ■

editorial@finweek.co.za

**The writer owns shares in Mediclinic.*

Sasfin – poised for growth

SAM PAUWELS
Portfolio manager at Cannon Asset Managers

Sasfin is a niche financial services group, with its core business built predominantly around finance offered to small- and medium-sized businesses. With a relatively low market cap of R1.8bn, this diversified group is gradually becoming a fully-fledged bank with a fast-growing asset management division.

The group is primarily focused on two markets: the entrepreneurial and wealth markets. This client base is vastly different to those of all other listed financial services companies, offering a unique investment proposition. The business has remained remarkably healthy with a rapidly growing lending book – now R5.3bn – sustaining a low credit loss and non-performing loans ratio of 0.77% and 3.9% respectively. The funding base is well diversified, offering the group ample opportunity to grow.

In the past, Sasfin had always been a secondary bank for its clients, with all client transactions going through a primary bank. This gave the primary bank (and largest competitor) all information regarding clients' business transactions, giving it an 'unfair' competitive advantage over Sasfin and enabling it to poach clients easily. Today, Sasfin is in a better position with a stronger balance sheet and the ability to act as the primary bank. Through the launch of a transactional banking division, the company has been able to remove its biggest competitor and the group is now able to service clients holistically, which should allow for a higher retention rate.

Shareholders have welcomed this expansion as the management team has traditionally been cautious and often criticised for the group's lazy balance sheet. Notably, the capital adequacy ratio has been trending downwards, although it remains elevated at 21%. Management is now positioning the group for a new phase of growth.

> THIS DIVERSIFIED GROUP IS GRADUALLY BECOMING A **FULLY-FLEDGED** BANK WITH A FAST-GROWING ASSET MANAGEMENT DIVISION.

The wealth division is a sweet addition to this diversified group, particularly the asset management division (arguably one of the best business models around) where the business has been bulked up with skills and expertise. This is a highly scalable and profitable division, performing extremely well with 29% growth in assets under management and advice, which now stand at R117bn.

With the business previously focused on being a niche entrepreneurial bank, it has since grown its relationships with clients and increased its service offerings on the back of demand. The return on equity of 15% should increase over time as Sasfin increases scale on both the transactional banking and asset management businesses. The group also concluded the Fintech acquisition, which is earnings accretive, offering some upside in the short term.

The group offers an exciting investment proposition with growth opportunities across most of the divisions. The shares are notably illiquid and this could be the reason why the growth potential is not yet reflected in the valuation. Currently trading on a price-to-earnings ratio of 10 times and an attractive dividend yield of 3.8%, this diversified financial services group continues to offer an attractive investment opportunity in a frothy market, with value and quality banked together. ■

editorial@finweek.co.za

Sasfin Holdings Ltd

52-week range:	R47 - R62.80
1-year total return:	+9.6%
Current P/E ratio:	9.88
Market capitalisation:	R1.8bn
Earnings per share:	R5.67
Dividend yield:	3.98%
Average volume over 30 days:	2 250

SOURCE: Bloomberg.com

Nothing ventured, **nothing gained**

BY SCHALK LOUW
Portfolio Manager at PSG Wealth

There is an old saying that goes, "Nothing ventured, nothing gained." Of course the contrary also rings true, as you cannot lose if you don't try. Let's imagine a person with an extreme fear of the ocean as an example. This person feels that people risk too much by playing in the waves as there may be sharks that could attack them, or strong currents that could sweep them out to sea. Although this person's fears may be valid, it's really about finding the middle ground.

The fact that this person isn't willing to risk anything is depriving them of experiencing the wonders that the ocean has to offer.

The solution quite simply lies in the fact that this person does not have to play in the deeper waters like most adrenaline junkies do, but rather stay in shallow waters where they can still have a wonderful time while being in control and lowering the risk of anything going wrong.

The prices that investors have been willing to pay for shares worldwide over the past year have caused me great concern. In the same way that the ocean may be calm at times, investors started to 'swim' deeper and deeper into the stock market up to a point where I feel that they are no longer 100% in control of investment risk.

Suddenly the ocean has become stormy, with a number of indices losing value in August: the S&P 500 lost 1.3%, the FTSE100 2.9% and the Chinese Shanghai Index lost 10.4%.

Locally, things didn't look any better as there was no hiding from the FTSE/JSE All Share Index losing 3.6% of its value over the same period. With investment specialists worldwide expressing their concerns that this may only be the beginning, I don't necessarily feel that now is the time to get out of the water completely, but rather to ensure that you still have enough control over your investment risk. Although no one may know for certain what the future holds, risk remains manageable.

For investors, investment risk is crucial, more so than how much these investments have grown over the past five years. Local unit trusts, for example, have grown by 6.24% over the past 12 months (up to 11 September, and excluding money market and specialist sector funds) despite my concerns, at an average risk (standard deviation) of 6.2% calculated annually. This may not look too promising at first glance, especially when considering the total growth of 101% (14% a year) over the past five years, and 308% growth (14% a year) over the past 10 years. The fact remains, however, that it doesn't look too bad when compared to the 1.5% loss in local shares and money markets' 5.51% returns over the same 12-month period.

One way of reducing the discomfort is to focus on funds, and fund managers, who are focused on continuously lowering the risk within their funds. This way, you will be able to enjoy the benefits of higher-risk investments without sleepless nights.

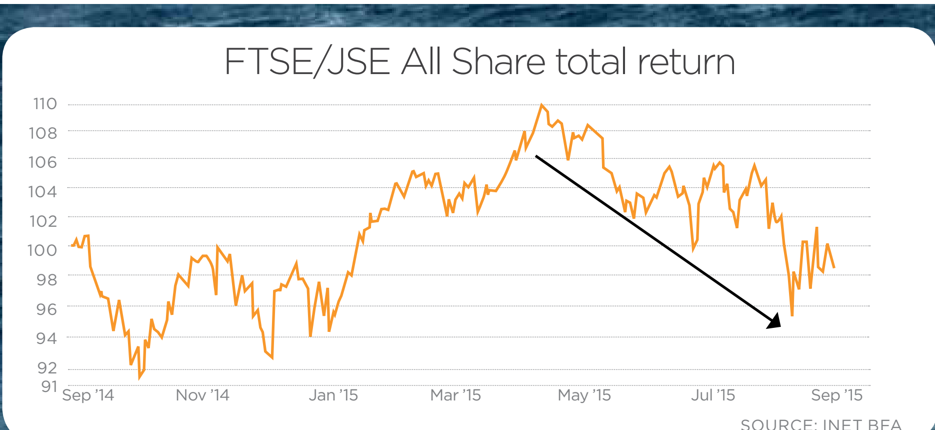
Let's take funds with the lowest standard deviations (risk) as an example: If you had invested in only the top five funds with the lowest standard deviations (risk) in each sector, your investment return would have amounted to 6%, but an average standard deviation of only 4.99% (80% of the risk).

I suppose the historical returns on shares, property and bonds will always provide for a powerful attraction to these types of investments. I urge you to be cautious, however, because if this is only the beginning of a volatile market, you would want to ensure that you are protected against the strong currents that may carry you out to sea. ■

editorial@finweek.co.za

Gallo Images/iStock

FOCUS ON FUNDS, AND FUND MANAGERS, WHO ARE FOCUSED ON CONTINUOUSLY LOWERING THE RISK WITHIN THEIR FUNDS.



Heading to the bank

BY JACO VISSER

A new business venture needs funds to pay for the initial manufacturing of products or the delivery of services. In addition to their own funds, most entrepreneurs would need outside funding. Banks are a natural first stop for borrowing. *Finweek* spoke to two bankers to find out what they need from start-ups.

When entrepreneurs approach a commercial bank to obtain funding, they should consider the different types of loans available to individuals and companies. These can range from short-term facilities, such as an overdraft or personal loan, to something more long term such as a bond secured over an immovable asset.

The entrepreneur should have a solid understanding of the business venture's cash flow and what the source of income would be, according to Alan Shannon, head of relationship banking and sales at Nedbank.

The business should ensure that it's got a good hold on the credit it extends to its own debtors, he says.

"To the extent that we see small businesses being somewhat lethargic around how they collect funds due to them – that would count against them," Shannon says.

In addition to good debtor discipline, banks also measure the risk associated with a business. This would include the amount of own capital the entrepreneur is willing to put up for the venture, according to Shannon.

"The one thing that we as commercial banks do look at is how they go about securing themselves," Shannon explains.

Ethel Nyembe, head of small enterprises at Standard Bank, agrees that it is important for the entrepreneur to be willing to fund a part of the start-up capital needs.

"There are a variety of funding opportunities available," she says.

A start-up, which hasn't built up a reputation yet, would typically be offered an overdraft, she says. This facility is in essence a tool to help a business with its cash flow.

Where an entrepreneur has a big project, typically in the engineering and construction sectors, they would be offered vehicle asset finance for so-called "yellow equipment", or heavy-duty equipment, Nyembe says. Banks also offer medium-term loans to businesses. ■

editorial@finweek.co.za

WHAT TO TAKE TO A LENDER

- **BUSINESS PLAN:** It is essential to prove to the lender that you have done your homework before you start borrowing money. Your business plan should include a detailed description of the product or service you're offering to the market and whether there is sufficient demand. You should illustrate how you plan to market your product or service and how you'll get it to your customers.
- **BIOGRAPHY:** Short biographies of the key members of the management team may boost the chances of a new venture with a lender. The biographies should show that the management team would be up for the challenge in terms of producing something or delivering a service and knowing how to work the finances.
- ***PRO FORMA* CASH FLOW STATEMENT:** As discussed in last week's article, a cash flow projection should prove to a funder, such as the bank, that you have thought about the venture. It should include realistic projections of sales and also take less-thought-about costs, such as fuel, bank charges, VAT payments and accounting fees, into account.
- **OWN CAPITAL:** Lenders would expect you to put some of your own money into the venture. This is proof that you are serious about your idea and are willing to take the risk financially.
- **PROFESSIONAL ADVICE:** Talking to a lawyer about the structure of the new business i.e. whether it would be housed in a private company or trust, will strengthen your case with a potential lender. Also speaking with a professional accountant, who could perhaps review the *pro forma* cash flow statement, could point to financial savvy and the willingness to ask for advice.

Origami artist, **Ross Symons**, started folding pieces of paper and converting clean sheets into intricate, fragile sculptures about 13 years ago. He's become so good at this that he is now a full-time origami expert and earns more than double the amount he did for his regular job.

Fold Paper. Make Money.

BY MANDY DE WAAL

If you saw the Winter 2015 advert for local clothing brand Old Khaki, you'd have watched a piece of paper dance around, before undergoing a series of folds that turns it into a cheeky little goat. This endearing, animated origami is the creation of artist Ross Symons, who has turned folding paper into a sustainable and worthwhile career.

Formerly a web designer with a background in coding, Symons started creating origami sculptures in 2002 after being asked by his brother to contribute to a graphic design project. "My brother asked me to fold an origami crane; after I did that, I never stopped," says Symons. "It was something I did for years – it was a cool party trick," he says. "If I was out having a beer, I would take a serviette, tear a piece off it, and start folding."

Why this constant urge to fold paper into fragile and intricate figures? "When I am folding, everything else disappears and I am focused on the task of turning that piece of paper into a dragon or unicorn. It is quite meditative, watching the piece of paper I'm manipulating turn into something," he says.

Symons has combined his advertising experience with his love of designing and creating origami to reinvent his career. "I was in advertising for four years from 2010 until the beginning of 2014," says Symons who studied programming in Johannesburg but moved to Cape Town because he wanted to work in a creative place and industry. "Advertising was a good sector to merge my programming and creative skills."

But in the creative sector Symons learnt lessons that would prove invaluable when it came to relaunching himself as an origami artist. "Advertising taught me how to market myself and how to take a product and create a brand around that," says Symons, who worked for digital agencies on diverse products ranging from dog biscuits to luxury vehicles.

"The whole reason I am able to make a living out of origami is because of Instagram," says the artist who uses the mobile photo-sharing service to showcase his work. "At the beginning of 2014 I wanted to do a 365 project and dedicate it to a craft or a side project. "I decided to fold a piece of origami each day, every day, for a whole year," he explains.

The idea behind a 365 project is to focus on growing a skill by dedicating an entire year to learning and practising it. "A couple of years ago I saw that there were a lot of people doing these kinds of projects on Instagram, and some of these people did incredibly well," he says, and adds: "I wanted to get better and advance myself, and see where this would go."

The result of Symons' year of folding origami is an entity called white-onrice.com, which he positions as an "origami inspired lifestyle".

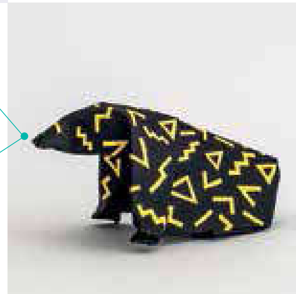
How does this man make money from folding paper?

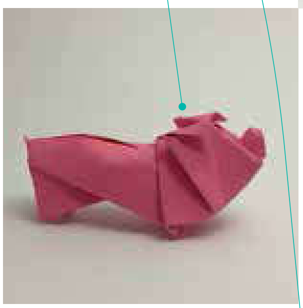
If you go to a restaurant in Franschhoek called The Bacon Bar, you'll find a curtain of origami pigs in the front window. An ad agency commissioned this for the opening of the eatery, which obviously specialises in bacon.

Symons also does stop-motion animation videos using origami and creates special paper statues for celebrations, promotions or stores. Then there's work like the television commercial with that cute paper goat. "Brands and advertising agencies approach me because of Instagram," he says.

"In the first five months of this year I made what I would make in a year in advertising as a mid-level web developer with four or five years' experience. I also have creative freedom over what I do," Symons adds. ■

editorial@finweek.co.za





Photos of Ross Symons by Jonathan Tait

"Origami is like an intricate puzzle – each fold needs to be made in a specific order to create a sculpture correctly."

"IT IS QUITE MEDITATIVE, WATCHING THE PIECE OF PAPER I'M MANIPULATING TURN INTO SOMETHING."

ROSS SYMONS ON HOW TO TURN A SIDE PROJECT INTO A BUSINESS:

- "If you want to get better at something, dedicate a full year of your life to doing that one thing. People invest a lot of time connecting with putting their art or craft onto social media."
- "Connect with people who are doing similar things. I connected with an international origami group on Instagram and made friends with people, and this helped my work to spread. People are very willing to share ideas."
- "I always try to respond to everyone who connects with me. The people who enjoy what I am doing are more likely to speak to other people and to help me if I need a bit of advice."
- "I also spend a lot of time focusing on what every single picture should look like. Instagram is all about the visual so it's important to ensure your work stands out, and attracts attention in what is a crowded space."

Vodacom Business eyes M2M expansion in Africa

BY GUGU LOURIE

Vodacom Business Africa is placing machine-to-machine (M2M) services expansion at the heart of plans to grow its market share on the continent.

Vodacom Business Africa wants to leverage its parent company Vodafone's infrastructure and that of its stand-alone subsidiary XLink Communications – a provider of wireless data machine-to-machine (M2M) services.

M2M services are also referred to as the Internet of Things (IoT) – a concept of connecting devices, ranging from fridges and smart electricity meters to coffee makers, to the internet – in such a way that they communicate without the need of human intervention.

Vodacom Business Africa, which operates in various African countries, is confident of more growth opportunities for M2M in Africa.

The global information and communications (ICT) research firm IDC says that while M2M opportunities may be limited across Africa, significant potential for growth exists, particularly with respect to the deployment of energy, utility, and security services.

IDC says in a recent study that the more mature markets of South Africa, Kenya, and Nigeria are leading the charge with M2M technology being used in transportation and retail verticals to deliver services such as fleet management, asset tracking, retail point of sale (POS), and pay-as-you-go insurance.

But M2M solutions could also be used to fight diseases and help in reducing deaths from diseases such as diabetes.

Vuyani Jarana, CEO of Vodacom Business, tells *Finweek* that they were adopting a demand-led pan-African expansion strategy. It was implementing services such as M2M and cloud, where the demands arise. The company has built out capability to accelerate M2M in Tanzania, the DRC, Mozambique, Lesotho, Nigeria and Zambia, leveraging the Vodafone Global Data Service Platform, says Jarana.

"This platform lets customers manage their connected M2M deployments through a centrally hosted, secure self-service platform," says Jarana.

"It enables companies to get authentication, access control and near real-time usage and management of deployed SIMS on any Vodacom or Vodacom partner network anywhere in the world."

The SA-based enterprise arm of Vodacom, owned by British mobile giant Vodafone, is among the most prominent companies servicing enterprises in Africa.

Vodacom Business Africa contributed 18% to Vodacom Group's service revenue for the year to end March 2015. It is aiming to increase its contribution to 30% in the next three years. Vodacom, which has a R200bn market capitalisation, generated R16bn in revenue for the quarter to end June 2015.

Jarana says Vodacom Business has established significant M2M offerings for the agriculture and healthcare industries across Africa. He adds that the enterprise arm of Vodacom is seeing growth in demand for M2M solutions in the utilities, automotive and retail sectors.

The firm has seen acceleration in the utilities space, with interest in smart meter solutions for water and electricity; in automotive there is demand for the connected car; and in the retail sector there is a growing need for in-store digital signage, smart payment systems and supply chain optimisation.

Vodacom Business will leverage Vodafone's position as the global market leader in M2M as well as its resources in Africa.

In addition, Vodacom Business will leverage XLink's capabilities, scalable connectivity and customised solutions in point-of-sale communication in 12 African countries including SA, Angola, Mozambique and Zimbabwe. It also has plans to expand its footprint in the region.

WHILE **M2M** OPPORTUNITIES MAY BE LIMITED ACROSS AFRICA, SIGNIFICANT POTENTIAL FOR GROWTH EXISTS.

"M2M brings significant benefits to the industries that use it and thus, these markets are ready to implement M2M and experience the benefits that this technology has to offer," says Jarana. "For example, we have rolled out some of our healthcare offerings to several countries across the continent and the communities have seen significant benefits as a result.

"Vodacom Business's initial focus was investing to establish quality infrastructure; now we are focused on ensuring that we have the right people in our markets who understand the geographies, culture, languages and the third-party networks. We want to enable multinationals to expand confidently on the continent." ■

editorial@finweek.co.za

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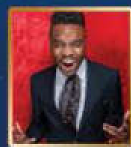
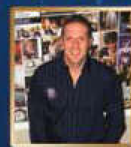
SOUTHERN AFRICA FINALISTS

In the past decade, Africa has seen a rise in business and leaders across all regions, who are pioneers in their respective fields. We are proud to introduce the 2015 finalists of the All Africa Business Leaders Awards in Partnership with CNBC Africa.

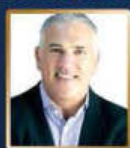
YOUNG BUSINESS LEADER OF THE YEAR – SOUTHERN AFRICA


Ashley Uys

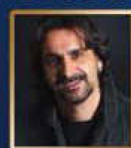

Sylvester Chauke


John Nicolakakis

ENTREPRENEUR OF THE YEAR – SOUTHERN AFRICA


Samuel Seeff


Braam van Huyssteen


Jason Xenopoulos


John Nicolakakis

BUSINESS LEADER OF THE YEAR – SOUTHERN AFRICA


Edward Kieswetter


Dr Johan van Zyl


Sisa Ngebulana

BUSINESS WOMAN OF THE YEAR – SOUTHERN AFRICA


Jeanne Groenewald

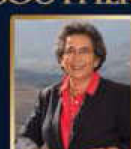

Natasha Sideris


Louisa Mojela & Gloria Serobe

PHILANTHROPIST OF THE YEAR – SOUTHERN AFRICA


Solly Noor


Wendy Ackerman


Wendy Appelbaum

Directors' Dealings

Company	Director	Transaction Date	Transaction Type	Volume	Price (c)	Value (R)	Date Modified
DISCOVERY	NS Koopowitz	17 September	Exercise Options	200,000	13764	27,528,000	21 September
DISCOVERY	NS Koopowitz	16 September	Exercise Options	200,000	20040	40,080,000	21 September
DISCOVERY	SE Sebotsa	18 September	Sell	2,500	13700	342,500	21 September
DISCOVERY	SE Sebotsa	17 September	Sell	2,500	13700	342,500	21 September
DISCOVERY	SE Sebotsa	17 September	Sell	2,500	13850	346,250	21 September
FIRSTRAND	VW Bartlett	14 September	Sell	5,012	8070	404,468	17 September
FIRSTRAND	VW Bartlett	15 September	Sell	7,688	8000	615,040	17 September
GLENCORE	P Coates	16 September	Purchase	144,014	£1.25	£180,017	17 September
GLENCORE	I Glasenberg	16 September	Purchase	110,109,098	£1.25	£137,636,373	17 September
GLENCORE	P Grauer	16 September	Purchase	11,792	£1.25	£14,740	17 September
GLENCORE	A Hayward	16 September	Purchase	13,165	£1.25	£16,456	17 September
GLENCORE	S Kalmin	16 September	Purchase	7,200,128	£1.25	£9,000,160	17 September
GLENCORE	PE Merrin	16 September	Purchase	3,997	£1.25	£4,996	17 September
LODESTONE	CB Hallowes	14 September	Purchase	4,500	675	30,375	21 September
LODESTONE	CB Hallowes	14 September	Purchase	12,310	680	83,708	21 September
LODESTONE	CB Hallowes	16 September	Purchase	50,000	680	340,000	21 September
LODESTONE	CB Hallowes	17 September	Purchase	50,000	680	340,000	21 September
MERAFE	J Matlala	16 September	Purchase	48,841	74	36,142	18 September
METMAR	DJ Ellwood	13 August	Sell	95,000	95	90,250	16 September
MIXTEL	CWR Tasker	16 September	Purchase	50,000	310	155,000	21 September
MIXTEL	CWR Tasker	16 September	Purchase	4,100	321	13,161	21 September
MIXTEL	CWR Tasker	16 September	Purchase	619	324	2,005	21 September
MIXTEL	CWR Tasker	16 September	Purchase	55,281	325	179,663	21 September
MMI HLDGS	PJ Moleketi	17 September	Purchase	70,000	2579	1,805,300	21 September
NASPERS	B Sgourdos	18 September	Exercise Options	6,741	174296	11,749,293	22 September
NASPERS	MR Sorour	18 September	Exercise Options	10,111	174296	17,623,068	22 September
NET1 UEPS	P Edwards	15 September	Sell	4,149	1766	73,271	18 September
NET1 UEPS	P Oh	15 September	Sell	1,604	1766	28,326	18 September
NET1 UEPS	AJK Pein	15 September	Sell	4,332	1766	76,503	18 September
NET1 UEPS	CS Seabrooke	15 September	Sell	2,514	1766	44,397	18 September
PINNACLE	TAM Tshivase	15 September	Sell	146,000	1200	1,752,000	18 September
PINNACLE	TAM Tshivase	16 September	Sell	233,000	1219	2,840,270	18 September
REDEFINE	M Ruttel	26 January	Sell	5,000	1159	57,950	22 September
REDEFINE	M Ruttel	27 January	Sell	20,000	1160	232,000	22 September
SANTAM	M Allie	7 September	Purchase	842	22200	186,924	15 September
TELKOM	DJ Fredericks	11 September	Purchase	1,750	6486	113,505	17 September
TELKOM	DJ Fredericks	14 September	Purchase	2,890	6351	183,543	17 September
TRANSPACO	DJJ Thomas	7 September	Exercise Options	693,068	2299	15,933,633	16 September
WOOLIES	I Moir	14 September	Sell	47,479	9800	4,652,942	17 September
WOOLIES	SD Ngumeni	14 September	Sell	20,173	9800	1,976,954	17 September
WOOLIES	Z Rylands	14 September	Sell	19,079	9800	1,869,742	17 September
WOOLIES	T Sishuba-Mashego	14 September	Sell	26,468	9800	2,593,864	17 September

Dividend ranking

SHARE	FORECAST DPS (c)	FORECAST DY (%)	SHARE	FORECAST DPS (c)	FORECAST DY (%)
DRDGOLD	25	13.7	EMIRA	146	8.3
EQSTRA	32	10.8	FORTRESSA	129	8.0
REBOSIS	109	9.9	VUKILE	148	7.9
GLENCORE	222	8.9	ACCPROP	54	7.9
LEWIS	528	8.7	OCTODEC	192	7.8

TEST YOUR **KNOWLEDGE**

Let's get that brain into gear with this week's quiz! To find out the answers, complete the quiz on finweek.com. Congratulations to Njabulo Buthelezi for winning a copy of *The E-toll Saga – A Journey from CEO to Civil Activist* by Wayne Duvenage in our recent giveaway.

finweek

1 **True or false?** US politician Bernie Sanders is a member of the Republican Party.

2 Name the actress who won an Emmy Award for best lead actress for her performance in *How to Get Away with Murder*.

3 Which company owns the telecommunications software application Skype?
- Blue Virtue Media
- Google
- Microsoft

4 **True or false?** The right wing party Golden Dawn won the recent Greek elections.

5 Recently, a fire destroyed over 20 upmarket riverside homes south of Vanderbijlpark. On which river were they situated?

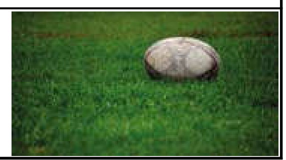
6 Select the capital of Burkina Faso.
- Ouagadougou
- Yaoundé
- Chengai

7 Which automaker saw its shares falling sharply after it was accused of falsifying emissions data?
- Mitsubishi
- Volkswagen
- Škoda

8 Pro-Palestine activists protested at a US singer's concert in Cape Town recently. Name the singer.

9 Name the SA minister of basic education.

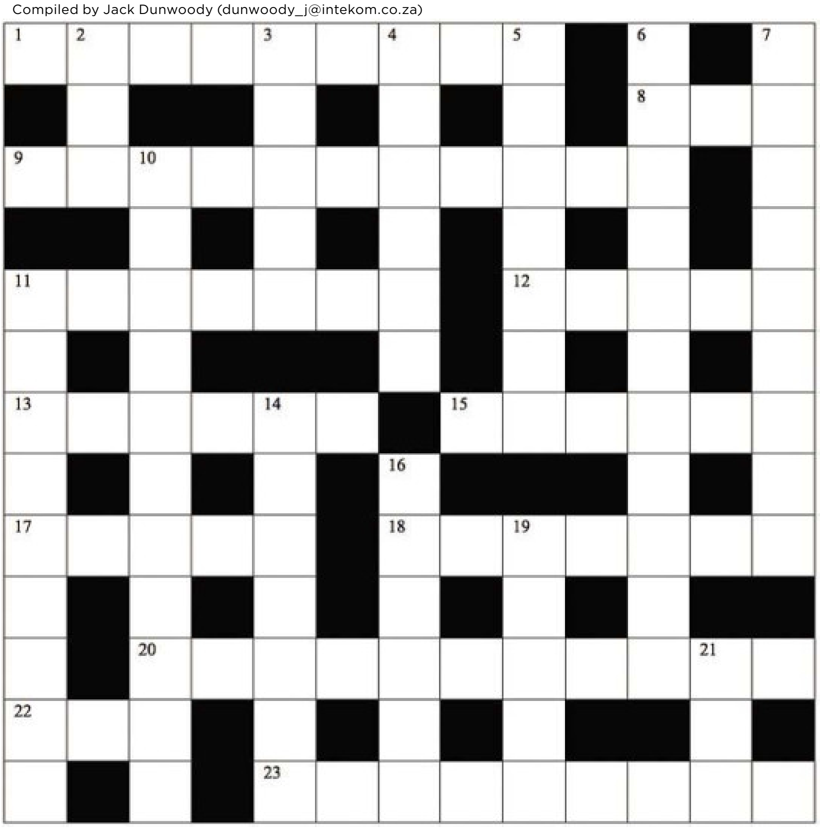
10 In which UK city was the now-infamous Japan-Bokke Rugby World Cup match played?



CRYPTIC CROSSWORD

NO 601 JD

Compiled by Jack Dunwoody (dunwoody_j@intekom.co.za)



ACROSS

1 Knackered having blown large chit (9)
8 Presume fast runner is back in the lead (3)
9 Be very lively and, by all accounts, misbehave into the early hours (11)
11 Direction given by an Italian (7)
12 Dole out the port (5)
13 Uncouth young man hovering around in one's nightmares (6)
15 Swan off and return with explanation (6)
17 Lead in nitro compound (5)
18 Helpless Cockney safe (6)
20 Takes chances and aims to pick up the pieces (4,3,4)
22 Sport new pen (3)
23 Acts dutifully, using fairness to track deer (4,5)

DOWN

2 French and Chinese first and so on (3)
3 Deal with first part of play being cut short (3,2)
4 Shout "Silver is back in the ship's kitchen" (6)
5 Blunt method sounds overbearing (7)
6 Does she keep us in stitches? (11)
7 Divided up into billets (9)
10 Evidence independent film company, we hear, faces positive charges (11)
11 Sounds like compiler can handle rejection! (2,2,1,4)
14 "Dandy" editor of good pedigree (7)
16 Some run the gamut at evolutionary process to achieve transformation (6)
19 Join leading lady for summer (5)
21 Provide Henry with a note (3)

Solution to Crossword NO 600 JD

ACROSS: 1 Agatha; 4 Assail; 9 At one's own cost; 10 Knesset; 11 Rogue; 12 Unapt; 14 Dante; 18 Aisle; 19 Necktie; 21 An eye for an eye; 22 Indite; 23 Massif
DOWN: 1 Alaska; 2 Above one's head; 3 Heeds; 5 Sangria; 6 Amongst others; 7 Litter; 8 Hosta; 13 Present; 15 Malawi; 16 Ingot; 17 Hereof; 20 Clara

ON MARGIN

AN ENGINEER DIES AND GOES TO HELL...

He's hot and miserable, so he decides to take action. The aircon has been broken for a long time, so he fixes it. Things cool down quickly. The moving walkway motor is jammed, so he unjams it. People can get from place to place more easily. The TV reception is grainy and unclear, so he fixes the connection to the satellite dish and now they get hundreds of high-definition channels.

One day, God decides to look down on Hell to see how his grand design is working out and notices that everyone is happy and enjoying cocktails. He asks the Devil what's up.

The Devil says: "Things are great down here since you sent us an engineer."

"What?" says God. "An engineer? I didn't send you one of those. That must have been a mistake. Send him upstairs immediately!"

The Devil responds: "No way. We want to keep our engineer, we like him."

God snaps: "If you don't send him to me immediately, I'll sue!"

The Devil laughs. "Where are *you* going to get a lawyer?"

TROUBLE WITH THE LAW

A fellow bought a new Mercedes and decided to go out for a nice evening drive. The top was down, the breeze was blowing through what was left of his hair and he decided to open her up.

As the needle jumped up to 140km/h, he suddenly saw flashing red and blue lights behind him. "There's no way they can catch a Mercedes," he thought to himself and opened her up further.

The needle hit 160, 180... Then the reality of the situation hit him. "What am I doing?" he thought and pulled over. The cop came up to him, took his licence without a word and examined it and the car.

"It's been a long day, this is the end of my shift and it's Friday the 13th. I don't feel like more paperwork, so if you can give me an excuse for your driving that I haven't heard before, you can go."

The guy thinks for a second and says, "Last week my wife ran off with a cop. I was afraid you were trying to give her back!"

"Have a nice weekend," said the officer.

"...and this is where we keep our free-range brokers."

VERBATIM

Nassim Nicholas Taleb @nntaleb
"Never hire an A-student unless the job is to take exams." (*Bed of Procrustes*, 2nd ed.)

RUTH BUZZI @Ruth_A_Buzzi
Don't let anyone say you're old. Let it go in one hearing aid and out the other.

The Springboks' historic defeat against Japan elicited quite a response on social media. Here are some of Piker's favourite tweets from the game:

Leo Kok @LeoKokSA
Tonight the Japanese played rugby like they build cars.

Khaya Dlanga @khayadlanga
The Springbok loss to Japan is a plot by the DA to make sure that Zuma becomes the only democratically elected president not to win the RWC.

Dali Mpofu @AdvDali_Mpofu
What do you mean Japan beat South Africa... in karate???

Tom Eaton @TomEatonSA
At this difficult time our prayers are with former News24 commenters, suffering the agony of having nowhere to slag off the Springboks.

"I believe alien life is quite common in the universe, although intelligent life is less so. Some say it has yet to appear on planet Earth."
– Stephen Hawking, English physicist, cosmologist (1942-) and author